



Daily Report—

China

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Daily Report

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FBIS-CHI-95-119

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General

Further Comments From Foreign Ministry Spokesman

No Plans To Return Envoy

HK2006132995 Hong Kong Television Broadcasts Limited in English 1200 GMT 20 Jun 95

[From the "News at 8:00" program]

[FBIS Transcribed Text] China's fury with the United States shows no signs of abating. The Foreign Ministry spokesman says China's ambassador to the U.S. will stay put on the mainland for the time being.

[Begin recording: Foreign Ministry Spokesman Chen Jian, in English] My answer was not: We have not decided when to send him back. My answer was: The question of sending him back is not under consideration at the moment. [end recording]

Beijing once again stressed the recent visit to the U.S. by Taiwan President Li Teng-hui has caused a serious setback in Sino-U.S. relations.

Further on Envoy

HK2006115295 Hong Kong AFP in English 1131 GMT 20 Jun 95

[By Philippe Massonet]

[FBIS Transcribed Text] Beijing, June 20 (AFP) — China fired off a new round of verbal salvos Tuesday at the United States and Europe for allowing visits by Taiwanese leaders. The communist authorities have not let up on Washington since Taiwan's President Lee Teng-hui [Li Teng-hui] carried out his private visit this month. But on top of issuing a new warning to President Bill Clinton, the Chinese government now has the Czech Republic in its sights over a visit this week by Prime Minister Lien Chan.

Foreign ministry spokesman Chen Jian said Clinton's decision to give Lee a visa had led to a "serious setback" in Sino-US ties. "The US side must take concrete measures to eliminate the negative impact (of Lee's visit)," Chen told reporters.

China postponed military talks and recalled ambassador Li Daoyu from Washington for consultations in protest at the Lee visit. Chen said Tuesday that "at the moment, we are not considering sending him back." The announcement of Li's recall on Friday preceded by a few hours the departure of US ambassador to Beijing, J. Stapleton Roy at the end of a four-year term. The two countries are likely to remain without ambassadors in their respective capitals for weeks if not months.

Relations have not been so low since they were set up in 1979 when Washington switched recognition from Taiwan to China.

Chen, however said a request for accrediting a new ambassador was being studied. He also would not say if any stronger retaliatory measures against Washington were planned. "The direction that Sino-US relations will take depends on the US side's attitude," he said.

The spokesman attacked Lien's three-day stay in the Czech Republic, during which he met Prime Minister Vaclav Klaus, saying, "the Chinese government and the Chinese people express their strong displeasure." Chen said a Chinese delegation in the Czech Republic was cutting short its visit and that Beijing had decided to postpone an exchange programme with Prague. China reserved the right to react further, he added.

Taiwan leaders have called on the communists to cool their anger and face the reality of the nationalist island's growing international presence. But analysts have pointed out how the sovereignty issue is one of the most seriously considered in Beijing.

Chen hit out at what he called "cold war" mentality among some US figures. "If there is such a policy, it will be opposed by the Chinese people and the people of the world," he said.

The communist party mouthpiece, People's Daily [RENMIN RIBAO], Tuesday referred to the policy of "containment" of communism followed by Western countries in the 1950s and 1960s and said, "if the United States want to play the Taiwan card to 'contain' China, its own long term interests will be hit and it will pay dearly for it."

A survey carried out by a Taiwanese newspaper showed that support for reunification with China dropped to its lowest level ever in mid-June as Beijing retaliated for recent overseas visits by Taipei leaders. Only 36 percent of 949 respondents favored reunification, 28 percent supported Taiwan independence, and seven percent preferred the status quo, according to the poll conducted by the United Daily News [LIEN-HO PAO] and TVBS June 15 and June 16. The previous low in support for reunification was 51 percent, registered in April 1995 after 24 Taiwanese tourists were murdered while boating on a mainland lake.

Beijing has called off a new round of talks with the nationalist authorities, planned for July. Alarmed by Beijing's reactions, top Taiwanese officials on Monday urged it to make a speedy return to the negotiating to prevent a further deterioration in cross-strait ties.

On Taiwan Premier's Czech Visit

OW2006123995 Beijing XINHUA Domestic Service in Chinese 1131 GMT 20 Jun 95

[FBIS Translated Text] Beijing, 20 Jun (XINHUA) — At a news conference held here today, Foreign Ministry spokesman Chen Jian pointed out: Recently, in disregard of the firm opposition and repeated solemn representations [yan zheng jiao she 0917 2973 0074 3195] made by the Chinese side, the Czech side invited Lien Zhan [Lian Chan] to visit the Czech Republic and Czech Prime Minister also met him. In doing so, the Czech Government has gravely violated [yan zhong wei fan 0917 6850 6672 0646] the principles underpinning the establishment of Sino-Czech diplomatic relations, and impaired [sun hai 2275 1364] Sino-Czech friendly relations.

Chen Jian said: The Chinese Government and people are strongly displeased [qiang lie bu man 1730 3525 0008 3341] by this. The visiting Chinese education delegation has cut short its visit in the Czech Republic, and the signing of the agreement on educational exchanges has been postponed. The Chinese side reserves the right to make further reactions.

The spokesman said: This is the making of the Czech side alone, and therefore it shall bear all the consequences [yi qie hou guo 001 0434 0683 2654] arising therefrom. He added: The Taiwan issue bears upon China's sovereignty, territorial integrity, and the great cause of peaceful reunification, and it affects [qian dong 3677 0520] the feelings of 1.2 billion Chinese people. The Chinese Government and people are firmly against any country doing anything to damage [sun hai 2275 1364] the fundamental interests of the People's Republic of China.

Views Sino-U.S. Relations

OW2006124795 Beijing XINHUA Domestic Service in Chinese 1136 GMT 20 Jun 95

[FBIS Translated Text] Foreign Ministry spokesman Chen Jian today answered reporters' questions in Beijing on Sino-U.S. relations.

A reporter asked: The Chinese side has asked the U.S. side to eliminate the negative influence [xiao ji ying xiang 3194 2817 1758 0742] caused by Li Denghui's [Li Teng-hui's] visit to the United States. In your opinion, what measures should be taken by the U.S. side to eliminate the negative influence?

Answer: Sino-U.S. relations are facing great difficulties [kun nan 0938 7181] and the foundation [ji chu 1015 4342] for such ties has been shaken. This is absolutely not a general small matter [zhe jue bu shi yi ban di xiao

shi 6638 4815 0008 2508 0001 5301 4104 1420 0057]. This has been caused entirely by the U.S. side, and the U.S. Government should bear all the responsibilities and adopt practical measures [qie shi cuo shi 0434 1395 2238 2457] to thoroughly eliminate [che di xiao chu 1796 1646 3194 7110] the bad influence [e lie ying xiang 1921 0503 1758 0742]. We will wait and see what kind of policy it will pursue toward China and where Sino-U.S. relations will go.

Relations in 'Great Difficulty'

HK2006143795 Beijing ZHONGGUO XINWEN SHE in Chinese 1144 GMT 20 Jun 95

[FBIS Translated Text] Beijing, 20 Jun (ZHONGGUO XINWEN SHE) — Chinese Foreign Ministry Spokesman Chen Jian said this afternoon: At present, Sino-U.S. relations are in great difficulty [hen da kun nan 1771 1129 0938 7181] and the foundation of the bilateral relations has been shaken. This is absolutely not an ordinary, minor matter; it was caused entirely by the United States. The U.S. Government should bear all responsibility, and should adopt practical measures to completely undo the pernicious impact. We will wait and see what sort of policy the United States is going to adopt toward China, and in what direction it will lead Sino-U.S. relations.

At the routine weekly press conference, a reporter asked: As China has asked the United States to undo the negative impact of Li Denghui's [Li Teng-hui's] U.S. visit, what measures can the United States adopt that will, in China's view, undo the impact? Chen Jian made the above comment in reply to this question.

The problem of great difficulty in Sino-U.S. relations as a result of the U.S. Government's approval of Li Denghui's visit remained a hot topic at the press conference.

Chen Jian stressed: The foundation of Sino-U.S. relations is the principles enshrined in the three joint communiques between the two countries. The three joint communiques explicitly provide that the United States recognize only one China, with Taiwan as part of it, and that the United States support and encourage the pursuit of unifying the two shores. Therefore, the United States should unconditionally and completely return to the principles laid down in the three joint communiques.

Chen Jian said: The problem of Taiwan is a fundamental one involving a momentous principle, the approach to which has always determined the direction of Sino-U.S. relations. The course Sino-U.S. relations will follow is entirely dependent on the U.S. attitude.

Chen Jian pointed out: The relationship between the parliamentary institution and the government of a country is a problem internal to that country. A pledge made by one country to another is an international obligation. A country that excuses its failure to honor its international obligations by citing divergences within its internal institutions has no standing in the international community nor any creditability for other countries.

In his answers, Chen Jian also stated: The decision to recall Ambassador Li Daoyu for debriefing was made on the basis of the current status of Sino-U.S. relations. His return to the United States currently is not under consideration. The nomination of a new U.S. ambassador to China is now being studied.

Containment Policy Viewed

HK2006151295 Beijing ZHONGGUO XINWEN SHE
in Chinese 1228 GMT 20 Jun 95

[FBIS Translated Text] Chinese Foreign Ministry Spokesman Chen Jian said this afternoon: Country-to-country relations should be guided by the five principles of peaceful coexistence. Above all, the principle of mutual respect for sovereignty and noninterference in internal affairs should be strictly observed, and should not be trampled. As for China, it firmly abides by these principles, and will not pursue confrontation with any country.

Chen also said: If a country persists in actions typical of the Cold War era, pursuing confrontation and containment, this obviously does not help world peace and stability, or common development and prosperity for all countries. That country will be opposed by the peoples of all countries, and will be cast aside by its own people.

At today's ministry press conference, a reporter asked Chen Jian whether or not Li Denghui's [Li Teng-hui's] U.S. visit would trigger a new circle of containment and East-West confrontation.

In reply, Chen Jian pointed out: In international relations, certain countries once followed a so-called policy of containment against one another. History proved that it was wrong and is bankrupt in practice. It was a practice in the Cold War era. The international situation has changed a great deal since then, with more liaisons between countries and increasingly close economic ties. It is untenable to salvage the bankrupt containment policy, apply it again in the present-day and new situation, and use it to handle country-to-country relations; the containment policy should be discarded.

On Li Peng's Visit to Russia

HK2006140595 Beijing ZHONGGUO XINWEN SHE
in Chinese 1135 GMT 20 Jun 95

[FBIS Translated Text] Beijing, 20 Jun (ZHONGGUO XINWEN SHE) — Romanian Premier Nicolae Vacaroiu will pay an official visit to China 3-7 July at the invitation of Chinese Premier Li Peng.

Chinese Foreign Ministry Spokesman Chen Jian announced the visit during a news conference given by the ministry this afternoon.

In reply to an inquiry by reporters on the same occasion, Chen said: Poland is not on the itinerary for Premier Li Peng's forthcoming trip abroad. This is an outcome of consultations between China and Poland. It is due to some technical reasons, and has nothing to do with the issue of human rights, he said.

Referring to Li Peng's forthcoming trip to Russia, Chen Jian said that the Chinese and Russian leaders will discuss such questions as the development of good-neighborly relations, and economic and trade relations between the two countries, on the basis of mutual benefit and cooperation. China takes a positive attitude toward every project conducive to the promotion of regional cooperation. China has noted happily the progress made on the Tumen River project this year, and hopes that all the parties concerned will further explore, on a voluntary basis, the possibility of cooperation in developing the Tumen River valley.

Romanian Premier To Visit

OW2006125995 Beijing XINHUA Domestic Service
in Chinese 1045 GMT 20 Jun 95

[FBIS Translated Text] Beijing, 20 Jun (XINHUA) — At the invitation of Premier Li Peng, Romanian Prime Minister Nicolae Vacaroiu will pay an official visit to China 3-7 July.

This was announced by Foreign Ministry spokesman Chen Jian at a news conference held here this afternoon.

Views CFA Accord

HK2106074595 Hong Kong HONGKONG
STANDARD in English 21 Jun 95 p 4

[By Laura Chan and M.Y. Sung in Beijing]

[FBIS Transcribed Text] China is looking forward to better ties with Britain.

According to Chinese Foreign Ministry spokesman, Chen Jian, the recent agreement on the Court of Final Appeal [CFA] for Hong Kong has created the atmosphere for further improvement.

He hoped the momentum would be maintained and the October visit to London by Foreign Minister Qian Qichen could be another "great step" in this direction, Mr Chen said.

"I believe this visit will be conducive to the improvement of bilateral relations and cooperation on the question of Hong Kong between China and Britain," Mr Chen said.

Mr Qian is expected to visit London from 1 to 5 October, although the date has not been officially announced.

Relations between the two countries were soured by Britain's unilateral introduction of political reforms in Hong Kong in 1992.

The thorny Court of Final Appeal issue was settled after Britain gave way on most of the key points.

Although this capitulation was widely condemned by the Democrats, Executive Councillors were told yesterday that there was widespread support for the agreement.

The councillors were being briefed for the first time by the administration which had conducted several surveys to ascertain public views on the agreement.

However, the councillors were also told that tough lobbying was needed to get legislators to support the bill which was due to be debated on 26 July.

An Executive Council source said: "Executive Council members have agreed to turn the public support into votes in the Legislative Council.

"We will not take it for granted. We want to get the majority support of legislators. The government is committed to carrying out the agreement."

The administration declined to predict the outcome or their chances of winning.

In Beijing, Mr Chen warned that the British government must conform with the new CFA agreement even if the Legislative Council voted against it or amended it.

Mr Chen stressed that Hong Kong affairs were a matter between China and Britain.

"The Hong Kong question is a question to be discussed between the governments of China and Britain," he said. "The agreement between the two countries should be observed."

He reiterated that China opposed the adoption of a "midnight legislation" by the Hong Kong administration to enable all Hong Kong laws to make the transition to Chinese sovereignty.

He said the British government had no authority to pass laws on behalf of the Special Administrative Region government before 1 July 1997.

He said, however, that China did not believe there was contradiction between this position and the CFA agreement under which the court would be operational only from 1 July 1997.

'News Analysis' on G-7 Summit

OW2006123195 Beijing China Radio International in English to Western North America 0400 GMT 20 Jun 95

[("New Analysis" by China Radio International's Lin Shaowen; from the "World News" program)]

[FBIS Transcribed Text] The seven leading industrialized nations along with Russia have concluded their annual summit meeting in Canada's Halifax with a relatively low profile. China Radio International's Lin Shaowen has this news analysis about the summit which is full of gold-toned words.

[Begin Lin recording] In recognition of Russia's participation, the meeting is being referred to for the first time as the Halifax Summit instead of the G-7 Summit. But, despite this, no significant changes have arisen from this meeting in the Atlantic seaport. Reforms on international financial institutions topped the economic discussion agenda. The participating leaders agreed to establish an emergency aid system and to double the current \$28 billion emergency fund. Yet none were willing to commit themselves to increasing their respective appropriations for the fees. They also shed responsibility when talking about sending aid to Ukraine. Western countries have repeatedly urged Ukraine to close down the Chernobyl Nuclear Station by the year 2000. Kiev agrees to do so only after receiving more financial support. To this point, the G-7 countries only gave strong oral support, with no after commitments.

The latest deterioration of the Bosnian situation has dominated the political discussions. During the three-day summit session, armed conflicts between the Serbs and Muslims around Sarajevo intensified. But the participating leaders seem to have no solution to the problem. The new Bosnia peace plan proposed by Russian President Boris Yeltsin was rejected by the G-7 countries. The Western countries also have their own differences over the Bosnian issue. Britain and France, backed by the United States and other NATO allies, have created a rapid reaction force of about 10,000 troops in hopes that it could effectively protect the UN peacekeepers in the former Yugoslavia. However, Canada is reluctant to commit such troops. Estimates have shown that it will

cost \$300 million to keep the force operational for half a year. Washington, supposed to be the largest financial supporter for the proposed force, is still looking for ways to fund it. As the main contributor of troops to the UN peacekeeping mission in Bosnia, France has repeatedly warned that it will pull out its troops from the region if it could not be effectively protected.

The Halifax Summit was concluded with more words than deeds. Time is needed to see whether the conference would push forward the development of the global economy and whether it could improve the world's political situation as 26 countries and regions are ravaged by fightings. For China Radio International, I am Lin Shaowen. [end recording]

U.S. Experts Arrive in DPRK for Consultation

*OW2106073795 Beijing XINHUA in English
0710 GMT 21 Jun 95*

[FBIS Transcribed Text] Pyongyang, June 21 (XINHUA) — A group of U.S. experts have come here for the third round of consultations on the safe storage of used nuclear fuel rods which Pyongyang said are being seriously eroded due to seasonal changes.

Under an agreement signed in Geneva last year, Washington and Pyongyang should hold talks on the safe storage of 8,000 pieces of spent nuclear fuel rods dismantled from the nuclear reactors of the Democratic People's Republic of Korea (DPRK) and on their final disposal.

The two countries have held talks twice this year but failed to make any concrete arrangements on the issue.

During the Kuala Lumpur talks held early this month, the DPRK repeatedly warned that the fuel rods stored in a cooling pond are being seriously eroded due to high summery temperatures.

The team, which flew in Tuesday, is the second U.S. delegation sent here after the U.S. and DPRK reached a tentative agreement on the provision of light water nuclear reactors in the Malaysian capital of Kuala Lumpur on June 12.

Another U.S. team arrived here on June 17 to work out a timetable for the provision of heavy oil to the DPRK by the U.S.

United States & Canada

Committee Favors Renewing Beijing's MFN Status
*OW2106011095 Beijing XINHUA in English
0058 GMT 21 Jun 95*

[FBIS Transcribed Text] Washington, June 20 (XINHUA) — A U.S. House of Representatives committee

Tuesday [20 June] voted overwhelmingly in favor of renewing China's most-favored-nation (MFN) trade status.

The vote in the House Ways and Means Committee was 27 in favor and 7 opposed.

The committee's resolution, which doomed the attempt by a handful of congressmen to revoke China's MFN status, will be sent on for a vote by the full House.

The majority supported renewal because, as some said, "Cutting off most-favored-status with China will get...nowhere," and "We would see the cost of goods go up while we lost jobs."

During a subcommittee hearing on the issue a few weeks ago, Robert Kapp, President of the U.S.-China Business Council, pointed out that the annual debate on China's MFN is "both an enduring irritant to U.S.-China trade relations and a minefield in which U.S. commercial and foreign policy interests can every year be imperiled."

Therefore, he urged the Congress, the administration and the private sector to work together to achieve "a more stable and enduring economic relationship than we have enjoyed thus far in the modern U.S.-China encounter."

Correction to Policy Readjustment Under Study

HK2006031495

The following correction pertains to the item headlined "Policy Readjustment Under Study" published in the 19 June China DAILY REPORT, pages 12-14:

Page 12, column one, sourceline make read: ...Hong Kong HSIN PAO (HONG KONG ECONOMIC JOURNAL) in Chinese 16 Jun 95 p 23... (inserting omitted newspaper section name)

Page 12, column one, final paragraph, third sentence make read: ...1995, Central Committee General Secretary and concurrently... (inserting omitted word)

Page 13, column one, final paragraph, first sentence make read: ...Taiwan issue"; lest he should be unable to act according to his own will, and... (changing "they" to "he" and "their" to "his")

Central Eurasia

Li Peng Visit to Belarus, Ukraine, Russia Reported
Visit To 'Surely Be a Success'
*OW2006162195 Beijing XINHUA in English
1612 GMT 20 Jun 95*

[FBIS Transcribed Text] Moscow, June 20 (XINHUA) — Russian President Boris Yeltsin expressed his belief

here today that Chinese Premier Li Peng's forthcoming visit to Russia will surely be a success.

Noting that Sino-Russian relations are developing positively, Yeltsin said that he had held a friendly conservation with Chinese President Jiang Zemin not long ago and will meet with Li Peng as well during Li's visit.

President Yeltsin made these remarks at a Kremlin ceremony for China's new ambassador Li Fenglin, who assumed office on June 12, presenting credentials to him.

The latest talks between Yeltsin and Jiang Zemin took place in May when Jiang was attending Russia's celebrations to mark the 50th anniversary of the victory over Nazi Germany.

Leaves for Visit

*OW2106031895 Beijing XINHUA in English
0255 GMT 21 Jun 95*

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — Chinese Premier Li Peng left Beijing by air this morning on an official visit to Belarus, Ukraine and Russia.

He is to visit these three countries at the invitation of President of Belarus Alexander G. Lukashenka, President of Ukraine Leonid Kuchma and the Russian Federation Government, respectively.

Accompanying Li on the visit are his wife Zhu Lin, Vice-Premier Wu Bangguo of the State Council, Director Liu Huaiyu of the Foreign Affairs Office of the State Council, Director Wang Mengkui of the Research Office of the State Council, Vice-Minister of Foreign Affairs Dai Bingguo, Vice-Minister Chen Tonghai of the State Planning Commission, Vice-Minister Shi Guangsheng of the Foreign Trade and Economic Cooperation, Deputy Secretary-General Liu Qibao of the State Council, Deputy Director Lu Congmin of the Foreign Affairs Office of the State Council, and Special Assistant Wan Jingchang.

Li and his entourage were seen off at the Great Hall of the People by Vice-Premier Zhu Rongji, Vice-Premier and Foreign Minister Qian Qichen, Vice-Chairman Wang Hanbin of the National People's Congress Standing Committee, State Councillor and Secretary-General Luo Gan of the State Council, Vice-Chairman Hong Xuezhi of the National Committee of the Chinese People's Political Consultative Conference, Minister Wu Yi of the Foreign Trade and Economic Cooperation, Vice-Minister Gan Ziyu of the State Planning Commission, Deputy-Director Hu Guangbao of the General Office of the Chinese Communist Party Central Committee and Vice-Minister of Foreign Affairs Tang Jiaxuan.

Also present were Russian Ambassador to China Igor A. Rogachev, Ambassador of Ukraine Anatoly D. Plyushko, and Charge D'affairs Ad Interim Mikhail Penyanuskoy of the Embassy of Belarus.

Harbin-Khabarovsk Shipping Route Begins Service

SK2106060895 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 20 Jun 95

[FBIS Translated Summary] From 14 June, the provincial shipping administrative bureau opened a high-speed passenger shipping route from Harbin to Khabarovsk via Jiamusi. Passengers can take high-speed hydrofoils in Harbin on even-numbered days and arrive in Jiamusi on the same days. The ship will provide passengers with board and lodging and will apply for visas on a commissioned basis for passengers. Passengers will take high-speed hydrofoils to Khabarovsk on the following days. It takes 36 hours in total from Harbin to Khabarovsk, saving 12 hours from the past.

Despite the opening of this shipping route, the international air route from Harbin to Khabarovsk will remain in service.

Northeast Asia

'News Analysis' on Japan Winning Asia's Trust

OW2106113095 Beijing XINHUA Domestic Service in Chinese 0935 GMT 16 Jun 95

["News Analysis" by XINHUA reporter Wang Dajun (3769 1129 6511): "Why Is Japan Unwilling To Face History Squarely?"]

[FBIS Translated Text] Beijing, 15 Jun (XINHUA) — The Japanese House of Representatives' adoption of the so-called "Remorse Resolution" at the time of the 50th anniversary of the end of World War II has met with strong condemnation from public opinion in both Japan and various parts of the world for its failure to face squarely the history of the war of aggression. Since the end of the war, Japan has never taken the initiative to conscientiously admit its mistakes for waging a war of aggression. Although half a century has passed, there are still people among the Japanese statesmen who incessantly make statements to beautify the history of aggression. In particular, from last year until now, some Diet members of the Liberal Democratic Party and the right-wing force in Japan have even gone to the extent of generating a muddy wave of reverting the history of Japan's war of aggression.

This has been a sharp contrast to what is happening in Germany.

To mark 50th anniversary of the end of World War II, the German Government, the opposition, and the people of all strata have devoted the full month of April this year to mourn victims of the Nazi concentration camps; while television stations throughout the country and a number of cinemas aired relevant movies; libraries in various cities exhibited relevant documents and materials; and various social organizations held activities to fully expose the Nazi's wartime atrocities.

After the war and since the 1960s, the Federal Republic of Germany — let alone the German Democratic Republic — has been adopting a responsible attitude toward history by conscientiously exposing the Nazi's crimes, bringing great pressure on politicians and business tycoons with a Nazi background. In 1970, Chancellor Brandt kneeled on both knees in front of monument to the Jewish dead in Warsaw to show repentance. In 1985, President (?Wezjuck) delivered his famous speech calling on the German people to expressly admit war crimes. In recent years, the German Government has adopted policies designed to resolutely crack down on rampant activities of right-wing elements. In May 1994, the German lower house amended the Constitution, stipulating conviction for denying — in whatever form — historic facts on Jewish massacres. In his recent visit to Israel, Chancellor Kohl clearly indicated that the German people will firmly remember the crimes committed by the Nazis in the name of the German people.

Both Japan and Germany were nations defeated in a war waged to promote a fascist policy; how does such a vast difference in their attitude toward the war come about?

First, since Japan's surrender, the United States, in consideration of its Cold-War needs, failed to effectively criticize and expose Japan's militarist force, leaving a large number of militarists to go scot-free. Even convicted war criminals were released ahead of schedule in 1949 and early 1950. Many people who committed crimes of aggression have reemerged in military, political, and financial circles with important positions, with first-class criminal Nobusuke Kishi even becoming the prime minister. Seisuke Okuno, who stepped down from the post of director general of the National Land Development Agency for openly denying the history of the Japanese war of aggression, was director of the Special Investigation Unit of the Ministry of Internal Affairs during the war. This militarist force has long been in existence in Japan, readily putting up its show when opportunity arrives.

Second, since becoming the world's No. 2 economic power in the 1970s, Japan started to aim for the world's political power since later part of the decade. Hence, some politicians saw the necessity of nurturing a world

superiority complex among the Japanese nation, and the admission of a history of aggression would leave them with a disgraceful tale. They ignored the great sufferings and losses of other countries and nationalities during the war waged by Japan, creating such a bizarre talk that the war was a holy war aimed at liberating Asian people from white rule. It has been their view that the adoption of a "ostrich policy" would be enough to cover the historical facts of the war of aggression.

Singapore's "LIAN HE ZAO BAO" pointed out recently that Japan's chances of winning the trust of the Asian people will depend on whether or not it can emulate Germany in actively investigating the crimes of aggression committed by the militarists.

Veterans of 'Anti-Japanese War' Attend Forum

OW2106090095 Beijing XINHUA in English
0850 GMT 21 Jun 95

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — Veterans of the anti-Japanese war, most of whom are in their 80s, gathered at a forum Tuesday [20 June] to celebrate the 50th anniversary of the victory of the war.

General Xiao Ke, who is known for outstanding military feats in the war, said that China suffered great losses in the struggle for national liberation, and the victory is a result of the Communist Party's unremitting efforts in a national united front of anti-Japanese forces, as well as of the co-operation between the Communist Party and the Kuomintang.

He noted that the Chinese people should draw on the "historical experience" of the united front to increase exchanges across the Taiwan Straits and speed up the re-unification process.

Li Desheng, another famous general during the war, said that it was the unified power of 450 million Chinese residents 50 years ago that led to the final victory, and that every Chinese should stick to the country's reunification drive as part of the responsibility to society.

Li Moan, 90-year-old Chairman of the Whampoa Military Academy Alumni Association, said that China is in a new epoch of economic development, but the fact that reunification is still unfinished business certainly runs counter to the innermost wishes of the martyrs of the war, and also to the sacrifices of the whole nation 50 years ago.

He urged graduates of the Whampoa Military Academy to actively join the process of China's reunification.

Buhe Meets DPRK Press Delegation

*OW2106090495 Beijing XINHUA in English
0837 GMT 21 Jun 95*

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — Buhe, vice-chairman of China's National People's Congress (NPC) Standing Committee, met here today with a delegation from the Nodong Sinmun of the Democratic People's Republic of Korea (DPRK).

Buhe expressed the hope that the two countries' press circles will increase exchanges and contacts so as to help promote the growth of the friendly relations between China and the DPRK.

Nodong Sinmun is the official newspaper of the Workers' Party of Korea. The delegation, led by the newspaper's deputy editor-in-chief Choe Chil-nan, arrived here yesterday at the invitation of the Renmin Ribao, or People's Daily, of China.

The visitors are expected to visit Shanghai and Xian in addition to Beijing.

Heilongjiang, DPRK Sign Cooperation Contract

SK2106060795 Harbin Heilongjiang People's Radio Network in Mandarin 1000 GMT 20 Jun 95

[FBIS Translated Text] On the morning of 20 June, the provincial general company for economic development of national minority clinched another big deal with its old cooperation partner — the ferrous metal corporation of the DPRK.

The Chinese side will offer washed coal to the Korean side, and the Korean side will offer steel plate to the Chinese side. The total transaction volume surpassed \$75 million.

Vice Governor Wang Zongzhang attended the signing ceremony.

Southeast Asia & Pacific**Hainan Governor Meets With Indonesian Ambassador**

HK2106043795 Haikou Hainan People's Radio Network in Mandarin 2300 GMT 6 Jun 95

[FBIS Translated Text] Yesterday afternoon, provincial Governor Ruan Chongwu met with Indonesian Ambassador to China Djuanda and his party in Chaoyangchun Hotel located at Haikou's International Commercial Building, and accorded welcome to their visit.

During the meeting, Ruan Chongwu happily recalled his visit to Indonesia last year and praised Indonesia as a beautiful country. He briefed his guests on Hainan's economic development, construction, climate, environment, and so on.

Ambassador Djuanda is visiting Hainan at the invitation of Governor Ruan Chongwu. The aim of the visit is to promote friendly relations between Indonesia and Hainan and explore the possibility of cooperation and associations between the two sides in economy, trade, and tourism.

Responsible persons of the relevant provincial departments attended the meeting. They were Chen Hong, (Zhou Baocheng), (Zhang Aipeng), and others.

Zou Jiahua Continues Pacific Region Visit**Meets New Zealand Leaders**

*OW2006133995 Beijing XINHUA in English
1245 GMT 20 Jun 95*

[FBIS Transcribed Text] Wellington, June 20 (XINHUA) — The relations between New Zealand [NZ] and China are positive and the two countries have made great achievements in expanding trade and economic cooperation, said NZ Prime Minister Jim Bolger today.

Meeting Chinese Vice Premier Zou Jiahua, Bolger said NZ not only drew up an "Asia 2000" strategy, but also attaches great importance to the fact that both NZ and China are members of the organization of Asia Pacific Economic Cooperation [APEC].

NZ hopes the APEC meeting to be held in Osaka later this year will further facilitate the organization's development in the interests of member countries, he said.

He also told Zou that NZ supports China's effort to join the World Trade Organization [WTO].

Zou expressed the hope that through his current visit, more areas will be opened in trade and economic cooperation between China and NZ.

He briefed Bolger on China's principled position on the entry in the WTO and the current economic reform and development in China.

NZ Governor-General Dame Catherine Tizard also met Zou today.

She described Zou's visit as an important step in further developing the friendly relations between NZ and China.

She said both countries have their own strong points and advantages, and they can cooperate in agriculture and industry through setting up joint venture projects.

Zou praised the Governor-General for her contribution to the promotion of China-NZ relations, in particular her effort in forging the sister city relationship between the NZ city of Auckland and the Chinese city of Guangzhou when Dame Tizard served as the mayor of Auckland.

He said China will develop its economy by relying mainly on the efforts of its people, but also hopes to boost cooperation with all friendly countries, including NZ.

Zou also met today NZ Vice Prime Minister and Minister of Foreign Affairs and Trade Don McKinnon, Finance Minister Bill Birch and Trade Negotiations Minister Philip Burdon.

Addresses Business Luncheon

OW2106055995 Beijing XINHUA in English
0542 GMT 21 Jun 95

[FBIS Transcribed Text] Auckland, New Zealand, June 21 (XINHUA) — China's economic development not only has a far-reaching impact on its future reform, development and overall social progress, but will also play a positive role in promoting friendly cooperation among nations and for world peace.

This was stated by visiting Chinese Vice Premier Zou Jiahua at a luncheon given in his honor by the Auckland business community here today.

He said in the last five years of the century, "We will try to maintain our economic development at a reasonable rate, achieve a sustained, rapid and sound economic growth and, by and large, put in place the socialist market economic structure so as to lay a solid foundation for continued development in the next century."

On China's economic cooperation with other countries, he said the cooperation is guided by three principles: equality and mutual benefit, long-term cooperation and common development.

He noted that the West has up-to-date technology and equipment, advanced management, experienced professionals and adequate capital, while China possesses rich resources, low labor cost, an economic and technological basis built up over the past four decades and more, and huge market potentials.

"To combine the advantages of the two sides will benefit both," Zou said.

He said "China's development is in itself a major contribution to that of mankind. The growth of its economic strength will serve as a driving force behind economic prosperity of the Asia-Pacific and the world as a whole."

The Vice Premier said NZ [New Zealand] business people are welcome to China for extensive cooperation and exchanges in the fields of economic and social development.

West Europe

**French Decision To Resume Nuclear Testing
Viewed**

HK2006133295 Beijing RENMIN RIBAO in Chinese
15 Jun 95 p 6

[("Roundup" by staff reporter Wang Fang (3769 5364): "Why Is France Resuming Nuclear Tests?")]

[FBIS Translated Text] Paris, 13 Jun (RENMIN RIBAO) — Over the last week and more, repeated reports have had it that France would resume nuclear testing, but the media were divided over the timing and the way President Jacques Chirac — who has the final say — would make his position known. Last Monday, President Chirac, together with a defense committee, decided to resume limited underground nuclear tests, which were suspended more than three years ago. On the evening of 13 June, President Chirac formally announced this decision at his first press conference since taking office.

France was one of the first countries in the world possessing nuclear weapons, and it began nuclear tests in 1960. General Charles de Gaulle, who was in power at that time, insisted on building up France's independent nuclear deterrent. Since then France conducted repeated nuclear tests until 8 April 1992, when President Francois Mitterrand decided to temporarily suspend nuclear tests on the Muroroa Atoll in the Pacific. This decision evoked a series of international repercussions, and the three Western nuclear powers — the United States, Russia, and Britain — followed France's example in turn. In October the next year, at the suggestion of President Mitterrand and Prime Minister Edouard Balladur, Chief of General Staff General Longsdad [name as transliterated; lang ke sa de 2597 0344 5646 1795] organized and led a commission comprising seven military experts to deliberate France's nuclear policy. Seven months later, the commission submitted a study report, asserting the necessity of resuming nuclear tests, but the report was turned down. President Mitterrand reiterated: No matter who succeeds him, "France will never resume nuclear tests." In the meantime, he told the scientific research department and the Defense Ministry to jointly draw up a 10-year program for laser simulating nuclear tests, which required a investment of over 10 billion francs, in a bid to bring nuclear tests into laboratories in the year 2010.

Chirac, as a leader of the De Gaulle faction, came out against President Mitterrand's decision, stressing the necessity of maintaining France's independent nuclear deterrent. He maintained that if France wished to continue attaining a rank among the countries possessing a nuclear deterrent, a top-priority task was to immediately

activate relevant nuclear plans. Later, when running for the presidency, he revealed his intention of resuming nuclear tests, emphasizing: "It is irresponsible to give up nuclear testing when we are unable to conduct simulation tests. As a consequence, France will be unable to enjoy the security it deserves, and will have no place among the nuclear powers." Immediately after entering the Elysee Palace, Chirac honored his commitment to heed experts' views on this problem. In early June, the seven-expert committee presented another report, urging the government to resume nuclear tests as soon as possible, and stating the timing must be before June next year, when the treaty on the complete prohibition of nuclear tests will be signed in Geneva.

France's strategic nuclear deterrent power is composed mainly of seabed [hai di 3189 1646], ground, and air nuclear missiles. Its existing outdated and heavy carrier rockets and medium-range missiles must be speedily updated, and its Arbiwin [a er bi weng 7093 1422 3024 5040] strategic nuclear missile base may be closed. The 18 single-headed S-3 missiles at the base must be replaced with 16 six-headed M-45 missiles as soon as possible. However, many missiles are so bulky that to reform the base will involve a large sum. That President Chirac made a decision on the sensitive problem of nuclear tests barely a month after assuming office suggests France's urgent need to update and develop its nuclear technique. Just as President Chirac put it: "We should pay the lowest possible price for the best defense." Defense Minister Charles Millon pointed out while explaining the decision: If we did not act this way, France would lose its credible nuclear deterrent by the end of this century. According to an analysis, France's main purposes in resuming nuclear tests are: Providing necessary scientific data for laser simulation tests; accelerating the process of minimizing the size of, and updating military equipment; examining the latest nuclear missile system; and evaluating the reliability of France's existing nuclear deterrent means.

France's decision to resume nuclear tests has invited criticism from domestic radical left-wing opposition parties, and has caused grave concern in the United States, Japan, Russia, and 15 countries in the South Pacific. Beginning 14 June, President Chirac will visit the United States and Canada, explain the French decision, and discuss the nuclear safety problem in meetings with UN leaders and at the G-7 summit.

Netherlands Prime Minister Continues Visit

Kok, Jiang Discuss Human Rights

*BR2006063195 Amsterdam DE VOLSKRANT
in Dutch 16 Jun 95 p 6*

[Report by Caroline Straathof: "Kok Discusses Human Rights with Jiang"]

[FBIS Translated Text] Prime Minister Kok has expressed his concern to Chinese President Jiang Zemin on continuing human rights violations in China. Kok, who is in Beijing with a major trade mission, believes that the outside world should not simply discuss contracts and export credits with China.

Jiang did not reject any discussion of human rights, but did refuse to respond to Kok's request to allow international observers such as the Red Cross and Amnesty International to enter China.

The Chinese president spoke at length with Prime Minister Kok about his country's quarrels with the United States over recent years on issues such as democracy and political freedoms. Kok: "His words were: 'We are not seeking to impose socialism on the Americans, so others should also refrain from imposing their practices on us.' But I view it as positive that the Chinese president did not simply dismiss the subject."

Jiang met with Kok on Thursday afternoon at his magnificent presidential pavilion at the lakeside in Zhongnanhai, the walled park next to the Forbidden City. For centuries this has been the place where Chinese emperors and their suites have entertained their guests.

The Chinese-language newspapers in Beijing gave prominent coverage to Kok's presence. Kok made the front page in newspapers including THE PEOPLE'S DAILY, THE WORKERS' DAILY, and THE BEIJING DAILY. But Prime Minister Kok's offer to grant 500 million guilders in development aid to China received very varying degrees of media coverage.

There was no mention of the soft loans in Communist Party organs such as THE PEOPLE'S DAILY. Even the prominent ECONOMIC DAILY found the offer to China by the Netherlands taxpayer unworthy of mention.

By contrast, the English-language CHINA DAILY, which is intended for foreigners, tried to make Kok's loans seem more generous than they are. The newspaper stated that the Netherlands would be granting 1.25 billion guilders in export credits over the next seven years, 40 percent as a gift from the Netherlands state and 60 percent as a loan. No mention was made of the fact that these loans are to come from the commercial banks and thus repaid at normal market interest rates.

Kok Leaves Guangdong

OW2006140595 Beijing XINHUA in English
1307 GMT 20 Jun 95

[FBIS Transcribed Text] Guangzhou, June 20 (XINHUA)— Prime Minister of the Netherlands Wim Kok left here by boat for home via Hong Kong today at the end of a three-day visit to the South China province of Guangdong.

During his stay in Guangdong, the Netherlands prime minister, accompanied by Niu Maosheng, chairman of the Chinese Government Reception Committee and minister of Water Resources, had discussions with entrepreneurs in the Guangzhou Economic and Technological Development Zone and visited the Guangzhou Carnaud Metal Box, Ltd.

In Zhuhai Special Economic Zone, Kok and his party attended the inauguration ceremony of a Sino-Netherlands joint undertaking, the Hongwan Power Plant, which is one of the key projects of the city's energy construction, with an installed generating capacity of 112,000 kilowatts.

While in Guangdong, Governor Zhu Senlin and Mayor of Zhuhai Liang Guangda met with Kok and his party and briefed them on the economic development in Guangdong and Zhuhai. The two sides showed deep interest in cooperation in civil aviation, trade and economy and cultural exchanges and exchanged views on air traffic between Guangdong and the Netherlands. The Netherlands prime minister also attended the signing ceremony of several contracts for economic cooperation between the two sides.

Lien Chan Not To Visit

OW2006153995 Beijing XINHUA in English
1531 GMT 20 Jun 95

[FBIS Transcribed Text] Hong Kong, June 20 (XINHUA) — The Foreign Affairs Minister of the Netherlands Hans Van Mierlo said here today that his country will neither receive Taiwan's Lien Chan nor intend to give him a visit.

Van Mierlo, who is concurrently the Vice Prime Minister of the Netherlands, made the point while answering a question at a press conference held here this evening for the visiting Netherlands Prime Minister Wim Kok.

Asked about whether the Netherlands government will receive Lien Chan who is now visiting Europe, Mierlo said that "he (Lien Chan) will not be received."

"We will not intend to give him a visit," he added.

Prime Minister Wim Kok said that a recent report about Lien Chan's visit in Amsterdam was not true.

"He was at the Amsterdam airport for a short rest in order to change planes but he didn't visit the Netherlands," Wim Kok explained.

The press conference was held at the Island Shangri-La Hotel prior to a dinner hosted by the Hong Kong General Chamber of Commerce and the Dutch Business Association in the honor of the Netherlands Prime Minister who arrived here today after winding up an official visit to the Chinese mainland.

At the dinner, Kok delivered a speech in which he said that the Netherlands people have a long-standing commercial relationship with the Far East in general and with Hong Kong in particular.

"Our trade has been growing in double digits for many years now, and the prospects of this trend continuing are good," he said.

He said that "the Netherlands has a clear interest in Hong Kong and the pivotal role of Hong Kong as an important business center in the global economy is one we are keen on maintaining and promoting."

The Netherlands is the first country to conclude bilateral agreements with Hong Kong in the field of air service, back in 1986, and for the promotion and protection of investments in 1992, he recalled.

"These agreements symbolize our ties with Hong Kong and the importance we attach to them," Kok said, adding that they will remain in force after 1997.

He hoped that this close bilateral trading relationship will continue to grow in the years ahead.

Improved Ties, No Concessions

BR2106114795 Hilversum Nederland-1 Television Network in Dutch 1800 GMT 20 Jun 95

[Video report by Rob Friesz in Canton]

[FBIS Translated Excerpt] [Announcer] Relations between the Netherlands and China have improved. The Netherlands has received orders worth several hundred

million guilders. Prime Minister Kok and Foreign Minister Van Mierlo finished their official visit to China and made a quick visit to the British Crown colony of Hong Kong, which will be returned to China in 1997.

[Begin recording] [Frieszo] [passage omitted] During his visit Prime Minister Kok opened several Netherlands companies, but this was not the main aim of his China trip.

[Kok] The main aim was to improve prospects for the Netherlands in China without making political concessions. We can still say what we want, even on issues like human rights or other sensitive issues. The Chinese respect us, and another important result is that economic links will be further expanded. [passage omitted] [end recording]

'Cold Shoulder' on Human Rights

HK2106075695 Hong Kong HONGKONG STANDARD in English 21 Jun 95 p 7

[By Joshua Fellman]

[FBIS Transcribed Text] Dutch Prime Minister Wim Kok and Foreign Minister Hans Van Mierlo received a cold shoulder from Beijing when they raised the topic of human rights during their recent visit to China.

Mr Kok told reporters in Hong Kong yesterday that human rights had been discussed at some length in meetings with Chinese President Jiang Zemin and Premier Li Peng.

"You will not be surprised that my Chinese counterparts did not share our views (but) it was, in itself, a positive thing that these issues could be discussed," Mr Kok said.

He said the Chinese response reflected its reaction to an earlier European Union statement on human rights.

Mr Van Mierlo said he gave Chinese Foreign Minister Qian Qichen a list of new cases of persecution of Chinese dissidents, with a request for more information. Chinese officials promised answers to the list "soon", he said.

Mr Van Mierlo said they did not raise the issue of nuclear testing with the Chinese despite the fact that the Dutch led European countries in condemning the French decision to resume its own tests.

He denied reports that Taiwanese Premier Lien Chan visited the Netherlands.

"He (Mr Lien) was in the country for an hour changing planes," he said.

The Taiwanese PM would not be given a visa, nor would any government officials meet him, Mr Van Mierlo said.

The talks in Beijing were held during what was primarily a trade mission, which saw 17 deals signed between Dutch and Chinese firms.

During meetings in the territory with Governor Chris Patten, the two discussed Hong Kong's infrastructure plans and the role of Dutch firms in financing them.

Li Lanqing Continues Official Visit to Norway

IPR Memorandum Signed

OW2006152895 Beijing XINHUA in English 1520 GMT 20 Jun 95

[FBIS Transcribed Text] Oslo, June 20 (XINHUA) — A Sino-Norwegian memorandum on intellectual property protection was signed here today.

The memorandum, which was signed by Chinese Vice-Minister of Foreign Trade and Economic Cooperation Gu Yongjiang and State Secretary of the Norwegian Foreign Ministry Siri Bjerke, stressed the legal protection of patent rights, technology and inventions in each other's country.

Meanwhile, the two sides signed four commercial contracts which are worth a total of 230 million U.S. dollars.

The contracts concern Norway's export of petroleum and fertilizers to China, China's construction for Norway an oil tanker valued at 50 million U.S. dollars, and a joint geophysical survey in the western part of the East Sea.

The signing ceremony highlighted the Sino-Norwegian Economy and Trade Day, an event sponsored by the Norwegian Trade Council, the Confederation of Norwegian Business and Industry and the Norwegian Shipowners Association.

Chinese Vice-Premier Li Lanqing and Norwegian Minister of Trade and Shipping Grete Knudsen attended the observation of the event.

Li, Brundtland Discuss Ties

OW2106045995 Beijing XINHUA in English 0446 GMT 21 Jun 95

[FBIS Transcribed Text] Oslo, June 20 (XINHUA) — Prime Minister Gro Harlem Brundtland today expressed Norway's willingness to strengthen cooperation with China in various fields during her meeting with Chinese Vice Premier Li Lanqing.

The Norwegian prime minister said China's rapid economic growth has left a deep impression on her. She believed that the Chinese economy will surpass many other economies gradually.

There has been a frequent exchange of visits between senior Norwegian and Chinese officials in recent years, she said, adding that she is very pleased that China attaches great importance to its relations with Norway.

She reiterated Norway's support for China joining the World Trade Organization as its founding member.

Li said that there are great potentials for the two countries to cooperate in the oil, shipping and shipbuilding industries, telecommunications, fishery and environmental protection.

Li conveyed Chinese Premier Li Peng's regards to Mrs. Brundtland and expected her visit to China scheduled for November. [sentence as received]

Li also met with Norwegian Foreign Minister Bjoern Tore Godal today.

Latin America & Caribbean

Foreign Trade Minister Meets Bolivian Visitors

*OW2106082895 Beijing XINHUA in English
0806 GMT 21 Jun 95*

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — Wu Yi, Chinese minister of foreign trade and economic cooperation, met here today with Jaime Otero, state secretary of the Bolivian Foreign Ministry, and his party.

Otero is here to attend the fourth meeting of the Sino-Bolivian Joint Committee of Trade and Economic Cooperation, at the invitation of the Chinese Ministry of Foreign Trade and Economic Cooperation.

Li Ruihuan Meets Brazilian Governor

*OW2106015495 Beijing XINHUA in English
0120 GMT 21 Jun 95*

[FBIS Transcribed Text] Rio De Janeiro, June 20 (XINHUA) — Li Ruihuan, Chairman of the National Committee of the Chinese People's Political Conference (CPPCC), arrived here today from Manaus, the state capital of Amazonas, to continue his week-long tour of Brazil.

Soon after his arrival in Rio de Janeiro, Li met with representatives of the Chinese community in the state and called on them to play their role in strengthening the friendly and cooperative relations between China and Brazil.

Later in the afternoon, Li met Marcelo Alencar, Governor of Rio de Janeiro State.

During the meeting, Li said that while China is the largest developing country in Asia, Brazil is the largest one in Latin America and expansion of the mutually

beneficial cooperation between the two countries in various fields is in the fundamental interests of the Chinese and Brazilian people.

He said that his current visit to Brazil is aimed at deepening mutual understanding, expanding bilateral cooperation and increasing exchanges of high-level visits.

Tomorrow afternoon, Li will leave here for the Brazilian capital of Brasilia, where he is expected to meet Brazilian government and parliament leaders and judicial officials.

The two sides will discuss ways to enhance cooperation between China and Brazil in political, economic, trade, scientific and technological sectors.

The Chinese leader will also visit Sao Paulo.

Brazil is the third leg of Li's four-nation Latin American Tour, which will also take him to Chile. He has already visited Cuba and Jamaica.

Peruvian Official Meets Qian Qichen

*OW2006132095 Beijing XINHUA in English
1238 GMT 20 Jun 95*

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — Chinese Vice-Premier and Foreign Minister Qian Qichen met with Ricardo Marquez Flores, first vice president-elect of Peru, and his party here today.

Qian extended congratulations to Marquez for assuming the post and warmly welcomed him and his party.

Marquez arrived here Monday [19 June] night on a six-day visit to China at the invitation of the Chinese Ministry of Foreign Affairs.

Nominated by Peruvian President Alberto Fujimori, Marquez was elected as first vice president of Peru and is to take office on July 28 this year.

Relations between China and Peru date back to ancient times. Since the two established diplomatic ties in 1971, bilateral relations have witnessed great development, Qian said, adding that contacts between leaders of the two countries have played a significant role in the development of relations.

The Chinese vice-premier expressed his appreciation for the Peruvian government's "One China" policy.

As developing countries, China and Peru have a lot in common, and have identical or similar views on many international issues, and have understood and supported each other, Qian said.

In recent years, bilateral economic and trade cooperation has also picked up momentum, and the two-way trade volume has been expanding, Qian said.

"It is our common desire to see our economic and trade cooperation strengthened," Qian said, noting that as long as the two sides make joint efforts to explore potentials and new methods, prospects of cooperation will be very bright.

Marquez, for his part, said that President Alberto Fujimori and the Peruvian government continue to follow a policy of developing ties with China, a fact which is attested to by Fujimori's 1991 and 1994 visits to China.

The current China visit is aimed at enhancing bilateral cooperation in political, economic, cultural, and other spheres, Marquez explained.

Li Ruihan Meets Jamaican Prime Minister
HK1906122695 Beijing CHINA DAILY in English
19 Jun 95 p 1

[By Sun Shangwu: "Jamaica's Taiwan Stand Is Backed by CPPCC Leader"]

[FBIS Transcribed Text] Kingston, Jamaica — China appreciates the Jamaican Government's one-China policy and its stand of not developing official relations with Taiwan, Li Ruihuan, Chairman of the Chinese People's Political Consultative Conference (CPPCC) said.

The Taiwan issue has an important bearing on China's sovereignty and re-unification, Li said yesterday.

He said any speech or action designed to separate Taiwan from China is an interference in China's internal affairs.

Li told Jamaican Prime Minister Percival Patterson, "The peaceful reunification is the common desire of the people across the Taiwan Straits and is the inexorable trend of historical development."

He warned: "Any plot which wants to make 'two Chinas' or 'one China, one Taiwan' not only goes against the basic interest of the Chinese nation as a whole but also hurts the stability and development of Taiwan."

Patterson said China and Jamaica established relations 23 years ago and Jamaica always regards the government of the People's Republic of China as China's sole legal government.

Patterson said Jamaica will support China's entry into the World Trade Organization.

He told Li that Jamaica will cooperate with the Chinese Government in the upcoming Fourth World Conference on Women, which is to be held in Beijing in September.

On the same day, Li also held separate meetings with Hanlan Cooke and opposition party leader Edward Seaga.

Li told Seaga, who is the head of Jamaica's Labour Party, that the Communist Party of China is willing to develop friendly ties with Jamaica's ruling party and opposition party on the basis of independence, equality, mutual respect and non-interference in each other's internal affairs.

Political & Social**Minister, Ambassador Criticized Over Li Visit**

HK2106083895 Hong Kong MING PAO in Chinese
20 Jun 95 p a1

[**"Special report" by staff reporter: "Li Daoyu, Jia Chunwang Criticized for Their Dull Reaction"**]

[FBIS Translated Text] Minister of State Security Jia Chunwan and Li Daoyu, Chinese ambassador to the United States, were criticized for failing to promptly apprehend the development of the state of affairs regarding Taiwan President Li Teng-hui's visit to the United States, and their self-criticism was called for, a well-informed source from the Chinese side told this reporter yesterday.

It was learned that Chinese leaders received relevant forecasts only two days before the U.S. Department of State officially announced it was allowing Li Teng-hui to visit Cornell University, his alma mater. Such being the case, Li Daoyu, Chinese ambassador to the United States, and Minister of State Security Jia Chunwan, who was in charge of intelligence work, were criticized over this, and their self-criticism was called for.

According to the source, the incident revealed the fact that Chinese officials stationed in the United States failed to fully grasp the change in the U.S. national situation; consequently, they failed to promptly capture the important directional change in U.S. top echelons.

The source said that cross-strait relations in the present phase would be determined by whether or not the Taiwan Government continued to take actions that irritated Beijing.

In addition, the source warned that should Taiwan take the road of independence, Beijing would inevitably resort to force against Taiwan, because Beijing would have no other choice (what about Tibet and Inner Mongolia, should Taiwan go independent?). Such being the case, under such circumstances, Beijing's top echelons could certainly reach a common understanding on resorting to force against Taiwan; otherwise, China would be rent by disunity.

He pointed out that for Taiwan at this point, the greatest danger would be taking further action to irritate Beijing's top echelons; that would eventually lead to Beijing reassessing the policy of "peaceful reunification with Taiwan," which they have long hoped for.

Should that be the case, Taiwan would most likely lose the peaceful environment it needs for its economic development overnight, because if the situation in Taiwan became tense, an outflow of capital would be inevitable.

In addition, the source disclosed that Li Teng-hui's visit to the United States has already made louder the voice of "the need to resort to force against Taiwan" in Beijing; nevertheless, a prompt and radical change in Beijing's policy toward Taiwan was not on the horizon as of today.

Li Guixian Addresses Meeting of State Organs

OW2106023795 Beijing XINHUA Domestic Service in Chinese 0846 GMT 13 Jun 95

[By the Central People's Broadcasting Station reporter Wang Yaling (3769 0068 3781) and XINHUA reporter Liu Siyang (0491 1835 2254)]

[FBIS Translated Text] Beijing, 13 Jun (XINHUA) — Central state administrative organs held in Beijing today a meeting on exchanging experiences in implementing the system of public service. State Councillor Li Guixian emphasized at the meeting: The state administrative organs, particularly the central state administrative organs shoulder the heavy responsibility of making policies for, directing, organizing, coordinating, supervising, and inspecting the work of reform, opening up, and modernization. So, whether we can build a high-quality contingent of public servants or not will have a bearing on whether the great undertaking of reform, opening up, and modernization will succeed or fail.

It is reported that the work of putting 58 State Council departments under the public service system is proceeding smoothly. All those departments have each formed a leading group and made a plan for implementing the public service system. Most of them have completed job position classification and personnel transition. Initial success has been achieved in the implementation of various components of the system, and personnel management has begun to be institutionalized.

The responsible persons of relevant departments of the Ministry of Civil Affairs, the Ministry of Public Security, the Ministry of Railways, the State Planning Commission, the Ministry of Chemical Industry, the Ministry of Labor, and the State Bureau of Building Materials Industry reported their experience in employment, performance appraisal, and promotion of public servants at today's meeting.

Li Guixian said in his speech at the meeting: Generally speaking, the implementation of the public service system in central state administrative organs proceeds smoothly. However, the progress is uneven, as the leaders of some departments are not paying sufficient attention to the implementation, and some departments are not strictly implementing "Interim Regulations on Public Servants." He emphasized: An important task

for all the departments at present is to accelerate the implementation of the public service system in accordance with the demands set by the Party Central Committee and the State Council, on the basis of their current work.

Li Guixian believes that how the public service system is implemented in the central state administrative organs will have a great impact on the whole country. He said: All departments should overcome the wrong idea that the implementation of the public service system has nothing to do with or even obstructs their work. They should integrate the implementation of the system with their day-to-day work and truly build up the contingent of public servants to improve their work. While we should overcome the wrong idea that the completion of personnel transition means the finish of the implementation of the system, we should ensure a comprehensive implementation and normal operation of the public service system. We should overcome formalism and the notion of merely going through the motions, persistently work according to law, and strictly implement "Interim Regulations on Public Servants."

Li Guixian pointed out that in implementing the public service system, it is necessary to deal with key issues, stress practical results, and make efforts to build a scientific and institutionalized hiring mechanism. He said: It is necessary to abandon the traditional, closed personnel selection and employment methods, and ensure openness, equality, competition, and selection of the best. It is necessary to abandon the outmoded practice by which an undesirable public servant can be neither demoted nor fired. It is necessary to establish a mechanism for the new to replace the old, strictly enforce discipline, improve work style, and create a new image of public servants characterized by diligence and honesty.

Li Guixian said: After strict appraisal, some office workers will be qualified as public servants. How they conduct their work will affect the image of public servants as a whole. All departments should offer more theoretical study and vocational training classes for the public servants, educate them in the outlook on life and in public servants' duties, and make them firmly establish the notion of being the people's public servants and the lofty purpose of serving the people. Under no circumstances should the public servants use their power to seek private gains. We should earnestly improve the management and supervision over public servants and turn them into a contingent which is reliable politically, proficient vocationally, impartial, honest, well-disciplined, and up to standard in work style, and which the party and the people are satisfied with and trust.

Minister of Personnel Song Defu presided over the meeting. Relevant responsible persons of the State Council's various ministries, commissions, directly subordinate organs, and administrative bodies attended the meeting.

Liu Gang Applies For Permission To Travel

HK2106051695 Hong Kong SOUTH CHINA MORNING POST in English 21 Jun 95 p 9

[By Agnes Cheung]

[FBIS Transcribed Text] Just three days after his release from jail, dissident Liu Gang is aiming to travel outside his home town despite police restrictions on his movements.

Mr Liu said he had asked police in Liaoyuan, Jilin province, if he could visit Beijing, Shanghai, Guangzhou, Hong Kong, Taiwan or any Western countries.

"I let them choose any one of these places for me," said Mr Liu who was freed on Sunday after completing a six-year jail sentence for his role in the Tiananmen Square protests in 1989.

The 34-year-old dissident said he urgently needed to solve his family's money problems as his mother was in hospital with a cerebral haemorrhage and his younger brother, Liu Yong, was missing, probably in detention.

"My father gets only 500 yuan (HK\$466) pension each month which can't make ends meet. And the authorities prohibit me from taking up jobs."

Mr Liu, who was number three on the most-wanted list after Tiananmen and is well-known for his outspokenness, added: "I have demanded the Chinese Communist Party resolve my livelihood problems."

However, the police had refused to accept his written travel application yesterday, he said, although they told him they would ask for instructions from their superiors.

Police have imposed 13 restrictions on Mr Liu since his release. They include limiting his movements and barring him from working, speaking to foreign reporters or contacting "hostile forces". He has also been deprived of his political rights for two years.

Meanwhile, the Clinton administration has criticised China for its controls on Mr Liu.

"We are disturbed by reports that authorities have imposed restrictions on him," said U.S. State Department spokesman Nicholas Burns.

"If these reports are true, we regret that he has been deprived of individual liberties even after having completed his full prison sentence," said Mr Burns.

"We will continue to urge the Chinese Government to release all those who have been jailed."

***Judicial Official on Use of Torture for Confessions**

95CM0244A Shanghai FAXUE [JURISPRUDENCE] in Chinese 10 Feb 95 No 159, p 24

[Article by Tang Chongyi (3282 1504 6654), Yangpu District People's Procuratorate, Shanghai: "Legislative Amendments Against the Crime of Extorting Confessions by Torture"]

[FBIS Translated Excerpt] Chinese penal-code legislation on the crime of extorting confessions by torture still contains improper parts, including mainly the following elements:

1. Its restrictions on criminal subjects are not scientific enough.

The penal code stipulates that the criminal subjects involved in extorting confessions by torture must be state workers. First, some who commit this offense are certainly not state workers, yet they have been appointed to judicial organs, as well as having been entrusted by judicial organs to take part in or handle cases directly. While such personnel entrusted by judicial organs to take part in public affairs are not state workers, they still should be subject to the crime of extorting confessions by torture. Second, due to historic reasons, those in China who extort confessions by torture are certainly not all workers in judicial organs. In enterprises, particularly in rural areas, some mass organization or economic group officials who suspect personnel in their own units or departments also set up clandestine tribunals where they extort confessions through torture.

2. Restrictions on the infringement subjects of extorting-confessions-by-torture behavior are certainly not appropriate.

It is inappropriate that Article 136 of China's penal code restricts the subjects infringed upon by extorting confessions by torture to "criminals." A) The meaning of "criminals" is unclear, with some holding that they are "criminal defendants and reform through labor criminals," others that they are "criminal defendants who have violated the criminal law and against whom judicial organs are or should be taking coercive measures," and still others hold that they "refer to all suspects who have been charged with illegal criminal behavior."... This difference of opinion in the law enforcement sector is bound to make correct judicial practice difficult. B) [passage omitted] C) As to China's judicial practice,

the subjects infringed upon by extorting confessions by torture are also not limited to "criminals" only. In addition to criminals, those subjected to such torture also include ordinary violators of law and discipline, as well as certain witnesses, and even innocent people.

3. Its penalties are not scientific and reasonable enough.

A) The setting of prison terms does not reflect the principle of the penalty suiting the crime. Article 136 of the Chinese penal code provides that except for the crime of corporal punishment causing injury or disability being severely punished according to the intent of the injury, the prison term for other circumstances is "imprisonment or detention and labor for up to three years." But in judicial practice, while certain extorting-confessions-by-torture criminal behavior does not involve corporal punishment that causes direct injury or disability, it still has quite severe consequences and a very bad social impact. So punishing it only within the limits of prison terms of "imprisonment or detention and labor for up to three years" is obviously too light, with the punishment not seeming to fit the crime. B) The conviction matter of "severe punishment of the crime of injury through corporal punishment causing injury or disability" is also not expressed clearly enough. Does the severe punishment of the crime of injury actually mean that those convicted of extorting confessions by torture are to be punished according to the prison term for the crime of injury? Or does it mean severe punishment of those directly convicted of the crime of injury? This easily leads to differences of opinion. C) The prison term for severe punishment of the crime of injury through corporal punishment causing injury or disability is too broad, making severe punishment hard to effect. [passage omitted]

Official 'Confirms' Inheritance Tax To Begin

OW2106061195 Beijing XINHUA in English 0559 GMT 21 Jun 95

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — China is to impose a tax on inheritance, a government official confirmed here today.

The official, who declined to be named, said that detailed regulations on the upcoming tax is under drafting.

XINHUA was told that the inheritance tax, which was first initiated in the early 1950s but never collected, will be a local tax item and become one of the 18 taxes as outlined in China's tax reform scheme.

Collection of the tax will follow international standard practices, which define inheritance as comprising the movables, immovables and property rights, according to the official.

The official said that the tax is expected to help address widening income disparity and improve the distribution of social wealth.

It may also serve to make up deficiency in the collection of personal income tax, the official said.

China should, starting right now, standardize its practices in property rights registration and assets appraisal and establish a sound tax declaration and collection system in order to nip in the bud tax evasions, the official noted.

Tibet Paper Views Study of Prison Law

*OW2006130995 Lhnsa XIZANG RIBAO in Chinese
29 May 95 p 2*

[Article by the Prison Administration of Tibet Autonomous Region: "An Important Milestone in the Building of a Legal System for China's Prisons — Studying 'The Prison Law of the People's Republic of China'"]

[FBIS Translated Text] "The Prison Law of the People's Republic of China" (to be rendered "the Prison Law" in the following for short) was examined and adopted by the 11th Session of the Standing Committee of the National People's Congress on 29 December 1994 and has been promulgated for implementation. This is the first prison law promulgated by the PRC since the founding of New China 45 years ago. The promulgation and implementation of the law signifies the progress of China's criminal law system and shows the achievements of the building of a legal system in our country. It is an important milestone in the building of a legal system for China's prisons.

1. The Promulgation and Implementation of the Prison Law Has Further Established and Perfected the Legal System Under Socialist Democracy.

At present, the pace of reform to establish a socialist market economy is being stepped up. Accordingly, it is all the more necessary to have a social environment of long-term stability and a good legal system and all the more necessary to vigorously strengthen and improve the socialist legal system. The criminal legal system, which is an important component part of China's socialist legal system, is composed of the Criminal Law, the Criminal Procedure Law and the Prison Law — laws of substance, procedures, and implementation. In 1979 China promulgated and implemented The Criminal Law and The Criminal Procedure Law. However, since then there has been no law on the execution of punishment for crimes to accommodate the Criminal Law and the Criminal Procedure Law, and the criminal legal system was not sound and perfect. With the

great change of the political and economic situation in our country, China's prisons, being the organizations to execute the punishment of crimes which hitherto acted in accordance with the "Labor Reform Regulations of the People's Republic of China" adopted by the Government Administration Council in 1954, will require a new law to coordinate relations and solve various actual contradictions and problems. Accordingly, the Prison Law has made a series of strict and clear stipulations on the execution of punishment of crimes in accordance with the Constitution and the clear stipulations of regulations on "punishing and reforming criminals in order to protect social order, suppress rebellion and counter-revolutionary activities, and punish those who endanger public security and sabotage socialist economy or commit other crimes" and in line with the actual situation of the judicial system of our country and the need to perfect the socialist legal system. The Prison Law has provided a legal guarantee for the effective execution of punishment and reforming of prisoners. It can be said that the Prison Law is linked with The Criminal Law and The Criminal Procedure Law promulgated in 1979, and those laws complement each other and constitute a complete criminal legal system. It shows the soundness and improvement of socialist legal system in our country.

2. The Promulgation of the "Prison Law" Has Effectively Strengthened the Building of the People's Democratic Dictatorship.

Currently, although the exploiting class is no longer in existence as a class in China, and class struggle is no longer a major contradiction in Chinese society, as Comrade Deng Xiaoping pointed out: "As there are still counterrevolutionary elements, the enemy's special agents; various criminal elements sabotaging the socialist order; other bad elements; and the new exploiting elements involved in corruption, theft, and speculation in the socialist society," "we must practice dictatorship against all these antisocialist elements, failing which there will be no socialist democracy." "Under such conditions as the existence of class struggle, imperialism, and hegemonism, it will be impossible to think about abolishing the regular army, the public security organs, courts, prisons, and others." Hence, as an instrument of the people's dictatorship, the functions of prison can only be strengthened but not weakened. The Prison Law, which has fully materialized Comrade Xiaoping's thinking, expressly stipulates that "prisons are organs where the state enforces its criminal punishments;" that "the people's police are the management personnel of prisons;" that "the people's police are protected by law to manage them, to enforce criminal punishments, and to conduct educational reform on criminals according to

law;" that "expenses incurred by prisons in reforming the criminals, in maintaining the people's police serving there, and in reforming the criminals; living costs of criminals; expenses in maintaining prison facilities, and other specific expenditures shall be included in the state budgets;" and that "the legal use of land, mineral, and other resources, and prison property is protected by law and that no organizations or individuals shall be permitted to seize or damage them." All these provisions — which have explicitly defined the nature of prisons as organs of the people's democratic dictatorship; fully endorsed the legal status of the people's police serving in prisons; and guaranteed state financial protection for prisons and their investments — will help provide legal protection and create a fine social environment for prisons to correctly enforce criminal punishments and effectively reform criminals, thus playing an important, guaranteeing role in strengthening the people's democratic dictatorship, in effectively punishing criminals, in protecting the people, and in maintaining stability.

3. The Promulgation of the Prison Law Has Defined and Perfected the Prison System With Chinese Characteristics.

Based on the fundamental principles of the Constitution, the Prison Law was enacted in consideration of China's realities with references to useful foreign practices, while giving legal effects to successful experiences in handling prison work since the nation's founding, including integrating punishment with reform and education with labor; the three major reforming means of ideological, cultural, technical education; providing legal protection to criminals' legitimate rights and interests; employment arrangements after discharge; different treatment for individual criminals; adoption of humanitarian policy; and organization of social forces to help educate criminals. The law also legally affirms results of reform in the past dozen years, including accumulated examination marks, running of special schools, and comprehensive control of social order.

All these fully reflect the spirit of our party's and government's consistent policy which tempers severity with leniency and justice with mercy toward convicts. While stipulating that "any convicts who commit a crime on purpose during the period of their jail term shall be severely punished in accordance with the law," the Prison Law rules that prison can hand down administrative penalties to any convict found guilty of eight kinds of behaviors which disrupt the order of prison administration, which frequently occur in prisons, and for which the Criminal Law contains no punishment stipulations. Furthermore, the Prison Law stipulates that "in case such behaviors constitute a crime, culprits shall

be prosecuted for criminal liability in accordance with the law"; that "the living standards of convicts shall be calculated on the basis of the quantity of goods produced"; and that "home leave may be approved" to some convicts who behave themselves and comply with stipulated regulations "for them to visit families or relatives." Meanwhile, the Prison Law also contains relevant provisions on the rights of convicts to enjoy remuneration, protection, and insurance for their labor as well as a rest from labor.

The promulgation of the Prison Law shows the historical progress made by China's prison work, indicates the establishment of a prison system with Chinese characteristics as well as its improvement, and enables Chinese prisons' reform of convicts to progress to a new era and to a new environment in an entirely new posture.

4. The Promulgation of the "Prison Law" Fully Shows China's Prison System Is Civilized, Humane, and Progressive.

As reform and opening up intensifies and as China has tended to continuously expand international judicial exchanges and cooperation in recent years, the promulgation and enforcement of the Prison Law provides a reliable legal basis for us to fulfill the obligations and responsibilities that China should undertake from the international treaties it has entered into. The Prison Law comprehensively puts into effect China's consistent policy on upholding socialism, humanitarianism, and the protection of the legitimate rights of convicts in the process of reforming them. The Prison Law specifically stipulates: "The human dignity of convicts must not be insulted. Their personal safety; legitimate property; rights to defend themselves, appeal, file charges in court, and report an offense to the authorities; and other rights not yet deprived or restricted by law must not be violated." "Convicts must strictly abide by laws and regulations, observe prison rules and discipline, subordinate themselves to administration, receive education, and participate in labor." Thus, the Prison Law solemnly recognizes convicts' rights and determines their obligations. While giving expression to the legality of the obligations of convicts as well as the fact that their fulfillment is compulsory, the law manifests the extensiveness, equality, and truthfulness of the rights of convicts. Meanwhile, the law protects their rights by means of standardizing the activities of law enforcement by the people's police stationed at prisons. Above all, compared with the prison laws of other countries, our Prison Law particularly stresses the rights of convicts to receive education, and is dedicated to helping them correct their bad habits, acquire a concept of legal system and moral ethics, and become thoroughly familiar with production

skills in order that they may smoothly return to society. It may be said that the protection offered by China to the rights and interests of convicts is more comprehensive and more extensive than that offered by other countries, and has more substantive contents. After the promulgation of the Prison Law, China's organs in charge of prisons may propagandize the achievements scored by prison work in reforming convicts in a better way to effectively counter the attack launched by Western countries against China on the pretext of the so-called "political prisoners," "cruel torture," and "export of prison-made products" issues; fully demonstrate the good legal system of China's prison work as well as its civilized image; safeguard national sovereignty and maintain the reputation of the motherland in a better way; meet the needs of international judicial exchanges; and be compatible with the situation of the struggle over the human rights issue in the international community.

5. The Promulgation of the "Prison Law" Will Surely Speed Up the Pace of Setting Up Modern, Civilized Prisons.

Setting up modern, civilized prisons is a magnificent goal set by the central authorities for our prison work and an inevitable trend of the prison work in China in its endeavor to deepen reform and make progress. The promulgation and enforcement of the Prison Law further improves the system of enforcing penalties in China; provides a legal basis for ushering in modern, civilized prison work; clearly points out the orientation and substance for the work of setting up modern, civilized prisons; and provides a solid organizational foundation, material guarantee, and powerful spiritual drive for setting up such prisons. Therefore, the promulgation and enforcement of the Prison Law will surely expedite the work of setting up modern, civilized prisons.

*Article Views Rise of 'Red Envelope' Phenomenon
95CM0244B Beijing LIAOWANG [OUTLOOK]
in Chinese 6 Mar 95 No 10, pp 6-8

[Article by Yang Minzhi (2799 2404 0037): "The 'Red Envelope Phenomenon' Can Be Seen Everywhere"]

[FBIS Translated Excerpt] [passage omitted]

There is hardly anyone who does not now know that the term 'red envelope' is merely a figurative one, whose implications as a term lack clear limits.

Just open one up and it is easy to see that a red envelope is a general hodgepodge of various ingredients such as pay, bonuses, gifts, and bribes. It includes rebates, pay, and bonuses for economic activities, gifts for human contacts, and bribes for political activities, as well as numerous dissimilar states formed through the mingling

and mixing of these factors. As to the law and discipline, red envelopes come in roughly three types: 1) legitimate, such as pay and bonus red envelopes; 2) illegal, such as bribe or covert bribe red envelopes; 3) "specious," which type falls somewhere in between legitimate and illegal, generally being categorized as "unhealthy tendencies." Setting aside type one, the second and third types of red envelopes are typical corruption phenomena.

Since the second plenary session of the Central Discipline Commission, most of our leading cadres have acted in line with the central demand for honesty and self-discipline by conducting self-examination and self-correction, which has curbed to a certain extent the problem of red envelope gifts. But due to a host of complex reasons, the problem has certainly not been solved, with the talk being that "surface red envelopes" have been sharply restrained, while "underground red envelopes" are growing steadily.

Red envelopes are infiltrating into ever broader fields, moving into virtually every area and corner of social life. All the way from subordinate organs running errands for superior organs, seeking investments, asking for loans, and handling all sorts of formalities, to worker and student recruitment, job transfers, new job arrangements for military cadres, cadre promotions, work assignments, job title assessments, hospital stays, and urban residence registration dispositions, and even getting one's children into daycare centers and schools and getting articles printed in the press, there is no area where the specter of red envelopes cannot be found. The public says that wherever there is power, there are red envelopes. In certain departments and units, taking red envelopes for doing jobs has become the custom, with it being news only when anything is accomplished without the presentation of red envelopes.

Red envelopes are coming in ever diversifying forms. In addition to renminbi, Hong Kong dollars, and foreign currencies, they also come in forms such as savings passbooks, stocks, and material purchase coupons. In certain places, red envelopes have become the common medium for virtually all money-power transactions, the common "prostitute" for all corrupt phenomena.

Red envelopes are coming in ever heavier weights. The currently in vogue red envelopes have evolved gradually from gifts which, in the early 1980's, were generally local specialties and articles of daily use, but by the mid-1980's had grown to brand-name cigarettes and liquor and expensive consumer goods. From the late 1980's to the present, those qualified to receive red envelopes have no longer been interested in farm and sideline products, as well as being saturated with household appliances, so that red envelopes have come back into fashion.

They started with dozens or hundreds of yuan, steadily growing in price and weight since. Red envelopes with hundreds of yuan are a common occurrence, with those containing thousands or tens of thousands of yuan also heard of occasionally. Meanwhile, to handle any matter, based on its difficulty and power content, the weight of red envelopes has become "whatever the market will bear."

Red envelopes are being sent and received in ever more artful forms. Some say that red envelopes have eyes, roads, feelings, and efficacy, so that the giving and taking of red envelopes has become a virtual "art" or "discipline" which, if not done well, will not only fail, but will even cause a loss. But mastering the "art" can mean repeated success. When red envelopes were first rising, they were sent quite blindly, being a case of wanton and indiscriminate bombing. But those who give red envelopes now are growing ever more adept at aiming them at key links and crucial people for "directional bombing."

The subjects of red envelopes are growing ever more complicated, including both purely personal-aimed individual behavior, as well as enterprise or even government actions on a "public" pretext. For instance, certain enterprises and local governments, to win a project, investment, or loan, send red envelopes of considerable weight and scope, being a case of serious collective study, which behavior is called "joint group crime."

In short, red envelopes have become a real-life epidemic.

The source of the prevalent red envelopes is complicated. In a deeper sense, the growth of red envelopes has rich soil.

1. Culturally, the unchecked spread of red envelopes is the dissimilation of certain virtues in our traditional culture. For instance, the giving of red envelopes in congratulations and friendship is a longstanding and well-established tradition in China. As a cultural phenomenon of protocol, it has a solid foundation in China's social psychology. The unchecked spread of red envelopes provides "traditional rites" cover, adding a rational label to red envelopes. The various kinds of bribery and bribery-aimed red envelopes that have now infiltrated into public and business activities are precisely such "rites" "weeded out," a case of exchanging the corpse for the spirit.

2. Politically, red envelopes are a key means of "getting official business done." The many flaws in our political system provide a certain soil for putting demands on officials. For instance, while our cadres at all levels are now selected through election, testing, and

advertisement, most of them are still appointed. This induces certain cadres to be responsible to superiors but not subordinates. They hold that as long as they please their superiors, their official positions will be secure. To "get officials moving," red envelopes are the best immediate "expression."

3. Red envelopes are a key means of "finding rents." Our economic system is now in a course of transition from a planned to a market economy, which unavoidably gives rise to certain internal conflicts, leaving our socioeconomic activities in a state of being neither "authoritative" or "market-oriented." In such a climate, government control of enterprises provides much room for dishonest officials to "establish rentals." And once established, rentals can be found. Enterprises use various means to bribe officials, to acquire the privilege to collect rents, with red envelopes being the best means of such bribery.

The direct causes of the unchecked spread of red envelopes are mainly in three areas:

1. The reciprocal needs of both red envelope givers and takers. As to the givers, they are mostly forced to do so, out of the fear of either offending or being unable to get anything done without giving red envelopes. So some use red envelopes to "exploit loopholes," to get a position or a job, win a project or a loan, or seize "the high ground" in competition. To achieve such goals, they would rather take a month or two wages from their own pockets or fill a red envelope with their whole retraining settlement allowance. And red envelopes containing public monies are even more often cases of thousands or tens of thousands of yuan. The givers do not even hesitate to sacrifice their own self respect to fearfully approach the doors of the powerful, finding innumerable reasons why the taking of red envelopes is not dishonest, so that the takers can take without concern. As to those who will not do anything without receiving red envelopes, the givers even hope that they are poor officials. As to the takers, most are helpless, fearing that refusing to take would hurt their cause and make enemies, or that if others took and they did not, they would be isolated and suffer economically. So for some people, red envelopes are just like a bowl of stinky tofu that smells very bad but tastes quite good. While in others hands, they may be of course be an eyesore, but once they come to oneself, there is an easy conscience. A few even hold that the ability to take red envelopes is a case of public concern for them, a sort of acknowledgement of their ability. And such a mindset among both givers and takers undoubtedly exacerbates the unchecked spread of red envelopes.

2. The features of red envelopes per se are also a key reason why red envelopes are so prevalent. In contrast to other such gifts, red envelopes are most direct, with their value uncertain but clear at a glance. Both givers and takers can "make a deal" on any occasion with just a slight opportunity. The givers are very "natural and unrestrained," while the takers are not embarrassed, so that even if refused, the givers can easily stop. Red envelopes are safest, with their presentation being a case of "one on one," so that while everyone knows about them, they are not a case of much inconvenience. Meanwhile, due to the red coverings of such "red envelopes," even when discovered they seem to be something other than bribes. So the giving and taking of red envelopes is most convenient, with no necessity of "spying out" the other side's situation, but merely working in line with whatever is given.

3. Discipline against the use of red envelopes for bribery is too lax, with investigations and prosecutions not strict. Despite the severity of the use of red envelopes for bribery, the investigatory and prosecutorial might of our discipline and law enforcement sector is quite inadequate. In contrast to the occurrence of red envelopes, those that come to the light of day are far from complete, while in contrast to those that come to light, those prosecuted are also far from complete. Some places often investigate subordinates but not superiors. Investigations involving the same level are not reported to superiors. It even occurs that a single party will curb red envelopes from subordinates, while advocating or taking the lead in giving them to superiors. And that just adds to the brashness of some in taking red envelopes. [passage omitted]

***Article Views Fate of Young Victims of Disasters**
95CM0320a Beijing ZHONGGUO QINGNIAN
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[Article by Peng Jianmei (1756 1696 2734), Yu Rujian (0151 1172 0256), and Zhang Guosheng (1728 0948 0524): "Sudden Disasters Fell on the Lantern Festival—33 Child Explosion Victims Are Waiting for Answers"]

[FBIS Translated Text]The Lantern Festival Led to Disasters

For the rural areas of Yuanyang County, Henan, 19 January on the lunar calendar is a traditional holiday—"Children's Lantern Festival"—and is also one of a few joy playing days for local children. In the evening of the day, each small village boy makes an oil lantern by carving out a hollow in a turnip, and the boys go to people's homes and let the residents pour oil into the hollows in the turnips, an act signifying that in

the new year the population will grow, with families enjoying happiness and good fortune. Locally this is called "adding lantern oil" and also "adding to the stockpiles."

However, on 19 January 1994, this fine custom handed down over the generations brought totally unexpected disasters, instead of adding to the happiness and prosperity of local peasants.

During the night of that day, 10 children, including Zhao Baowei and Zhao Baohai, of Shangwan Village of Dabin Township, Yuanyang County, came to the home of Zhao Baozhu in the neighborhood, laughing and talking; they asked for the adding of oil. Zhao Baozhu brought out diesel oil and started to add oil for them; but, when the cap of the diesel oil container approached the children's lanterns, the container exploded with a bang! One person was killed right away; one person was maimed by severe burns and eight other people also suffered burns.

On the same day, in the home of Zhang Guozheng of Yanga Village of Yanga Township, Zhang Guozheng's wife, Lu Qinling; Zhang's son, Zhang Xiaolei and a neighbor, Zhang Yuqi, suffered burns as diesel oil was being added to lanterns.

Again on the same day, in the home of Zhang Kunlin of Sunzhuang Village of Yanga Township, five people suffered burns as diesel oil was being added to lanterns; two of those people suffered serious injuries and three suffered minor injuries.

In a span of just two hours on the same evening of the same day in the same year, fires caused by adding oil to lanterns brought misfortunes to a scores of people (most of them were minor children) and more than ten families. According to incomplete statistics, as a result of this series of incidents, one child died, two children were disabled for life, and 30 children suffered burns. In the face of such sudden disasters, the peasants, who have their faces turned toward the yellow earth with their backs turned toward the skies most of the times, cried until there were no more tears and lost all hope, falling into a 100,000-feet-deep abyss of misery. But according to natural retribution belief of peasants that "you will reap what you sow," this "manmade disaster" was first of all understood as a "heaven-ordered disaster" and understood as some kind of "retribution." They endured the pain and suffering alone in silence, but thought about neither sympathy from society nor government relief, even less the protection of the law, until another similar accident occurred.

Two months later, on the evening of 30 April, 12-year-old Zhang Hongmei, a girl student in Niangniangmiao

Village of Yanga Township, Yanga County, asked her mother to light a lamp because of a power failure so that she could do her homework. As the mother and daughter were pouring diesel oil into the lamp, the daughter lighted a match to see if the lamp was full; suddenly, with a bang, a burst of blue flame hit the mother and daughter, immediately igniting a fire. The scene of misery was much too painful to watch.

A week later Zhang Hongmei came out of her critical condition. Enlightened by medical personnel and other patients, the father, Zhang Pusheng, came to realize that diesel oil was not prone to explosion and came to have suspicions about the quality of the diesel oil. Thus this farmer, who once wore an army uniform, resolutely came to the Quality and Technology Supervision Bureau of Yuanyang County, filing a complaint alleging that the substandard diesel oil sold by the Yanga Township Supply-Marketing Cooperative of Yanga County had caused burns on his wife and daughter.

Inspired by Zhang Pusheng's complaint, people in neighboring villages, such as Zhao Baozhu and Zhang Guozheng, also came to the county quality and technology supervision bureau to file complaints about the disastrous consequences of the explosions caused by the substandard diesel oil sold by the Yanga Township Supply-Marketing Cooperative.

Somebody Is Cooking Just One Egg for Himself By Burning Other People's House

After receiving the complaints, the Technology Supervision Bureau of Yuanyang County immediately send people to conduct in-depth, detailed investigations into the circumstances and found preliminary confirmation of the validity of the complaints. But some "abnormal factors" interfered with the work of the technology supervision bureau, and actions to be taken on the basis of the investigations were hampered.

After three months, what the peasants got was the response that "the issue will be studied; be patient and wait."

In the face of such a helpless situation, in August 1994, many of the victims came as a group to the Xinxiang Municipal Technology Supervision Bureau to file a joint complaint. "The county technology supervision bureau has already produced an evaluation result on the diesel oil; the batch of diesel oil sold by the supply-marketing cooperative was truly in the category of fake and substandard goods. We have made several visits. But every time the response was the same, that is: Let us study the issue and don't be impatient, for the scope is too large..."

The municipal technology supervision bureau paid great attention to the issue. Bureau Director Li Shaobo personally met with many victims and sternly ordered the county technology supervision bureau to resolve the issue before a definitive date. As the oil station had already sold out the diesel oil in question, the employees of the Technology Supervision Bureau of Yuanyang County who were in charge of the case gathered samples from the diesel oil retained by the victims. After examination, the Zhengzhou Institute for Application of Petroleum Goods determined that this batch of No. 0 diesel oil had a closed-opening flash point of 28 degrees Celsius, much lower than the standard issued by the state (higher or equal to 65 degrees celsius), and that this had been the main cause of combustion and explosion of this batch of diesel oil in normal temperatures and under normal atmospheric pressure. Based on all that, the Yuanyang County Technology Supervision Bureau determined that the Yanga Township Supply-Marketing Cooperative had sold substandard No. 0 diesel oil and issued to the cooperative the following administrative penalty decision: "1) Confiscate the unlawful income of 56.25 yuan; 2) impose a fourfold unlawful income fine of 225 yuan; and 3) impose a fine of 1,000 yuan on the person responsible for the unit. The three fines total 1,281.25 yuan." The Yanga Township Supply-Marketing Cooperative decided to challenge the penalty and filed a request to initiate administrative proceedings with the Yuanyang County People's Court.

At the same time, Director Li Shaobo of the municipal technology supervision bureau sought instructions from Deputy Mayor Ren Guosheng, who was in charge of industrial technology supervision. On the back of Zhao Baowei's photograph, Deputy Mayor Ren wrote instructions to Magistrate Deng Lin and Secretary Fan Xuegui of Yuanyang County: "We should pay high attention to the feelings involved and to the circumstances. Even if it is just an issue of humanitarianism, we still should pay close attention. And here, such a course of action is even more necessary because the causes can be found. Please make efforts in all aspects to provide money for treating the children's injuries to demonstrate our virtue of serving the people." The county made an immediate response. Magistrate Deng Lin of the county said: "Conduct investigations and take the necessary actions in accordance with Mayor Ren's instructions; give justice to ordinary people." Secretary Fan Xuegui also wrote the following instruction: "I request the court and the technology supervision bureau to make joint efforts and to move swiftly in conducting investigations and taking action."

Instructions from members of the leadership group turned out to be very effective, as expected. From 9:00

AM to 3:00 PM on 12 December 1994, the Yuanyang County People's Court publicly heard the case. The focus of debate was sample of the suspect oil. The supply-marketing cooperative denied that it had sold the substandard diesel oil held by the homes of the victims. On 24 December the Yuanyang County court held another court session and announced its judgment: The Yuanyang County Technology Supervision Bureau determined that the Yuanyang County Yanga Supply-Marketing Cooperative had bought 31.5 tonnes of No. 0 diesel oil on 23, 24, and 25 December 1993, and had sold 295 kg to the victims on 24-28 December, while issuing no official receipts; many people who had bought the oil and households of the victims all testified to the factual nature of the information. With samples having been gathered and examined according to the law, the diesel oil was found to have a closed-opening flash point of 28 degrees Celsius, thereby belonging to the category of substandard No. 0 diesel oil. HYTS [expansion unknown] Administrative Penalty Decision P-10 (1994) issued by the Yuanyang County Technology Supervision Bureau was clear about the facts, contained sufficient evidence, was based on legal procedures, was correct in the application of laws and regulations, and was not improper in imposing the penalties. The argument of the plaintiff is not strong and is therefore denied endorsement. In accordance with provisions of Article 26 of the Regulations on the Administration of Product Quality Supervision of Henan Province and of paragraph 1 of Article 54 of the Administrative Proceedings Law of the People's Republic of China, the tribunal has decided to issue the following judgement after consideration: HYTS Administrative Penalty Decision P-10 (1994) issued by the Yuanyang County Technology Supervision Bureau is sustained.

After the first-instance judgment was announced, lawyer Peng Fengming, chief of the comprehensive section of the Xinxiang Municipal Technology Supervision Bureau, said with feeling, when speaking to this reporter: "Those peasant victims have suffered great mental, physical, and property losses. I have just said a few words in court to see that justice done for them, but they kowtowed before me and said, shedding grateful tears: You comrades of the technology supervision bureau are upright; with good cadres like you, the Communist Party will never fall."

Vicious battles were yet to come and good cadres had to be tested again. The supply-marketing cooperative decided to challenge the judgment and appealed to the Xinxiang Municipal Intermediate People's Court.

A Year Later the 30-Odd Children Who Were Injured, Maimed, or Killed by the Explosions Caused by Substandard Diesel Oil Have Still Not Received Any Compensation

Only after the lawsuit between the county technology supervision bureau and the supply-marketing cooperative has been settled, will the victims have an opportunity to seek justice. However, how would those children in misery be able endure pain and suffering until that day? Certainly as compared with urban children, rural children tend to have "robust growth" in a natural "uncivilized rearing" environment, and form the habit of enduring hardships and hard work naturally; minor illnesses and small disasters do not overwhelm them. But now this "large manmade disaster," instead of a natural disaster, has stricken these children and their parents in a devastating fashion.

Zhao Xunjie, a 12-year-old boy, died on the way to the hospital. Although Xunjie had been adopted by the couple, Zhao Wenquan and Du Chunying, the husband and wife, who were both about 40 years old at the time of the adoption, regarded him as their darling son. The mother became mentally deranged as a result. When asked by a reporter about Xunjie, she fainted right away; the scene was truly difficult to watch.

Zhao Baowei, an 11-year-old boy, was a second-grade primary-school student. The diagnosis of the Second People's Hospital of Xinxiang City, Henan, was third-degree diesel oil (gasoline) burns on 50 percent of the head, face, neck, torso, two upper limbs, and left lower limb, and less severe burns on 40 percent of those places, in addition to medium-degree inhalation injuries. When visiting Zhao Baowei's home, this reporter saw that the home had "just four walls" and that it was difficult for the host to just find a stool for the reporter. Everything in the home, said the 53-year-old father Zhao Yumin to the reporter while choking with sobs, which can be sold has been sold and all opportunities for borrowing have been used up. As soon as money is obtained, I seek medical treatment for the child; now nearly 50,000 yuan has been spent on the medical treatment for the him. However, the diagnosis given at the time of his leaving the hospital for the last time (20 October 1994) stated clearly: The burn wounds are healed, but scars have left deformities in several places on the body: His two upper eyelids are turned inside out; his head is bald; his ears and nose are deformed; both hands have lost fingers and are deformed; his lips have been turned inside out; and his forehead and neck a joined by scar tissue. Ten rounds of cosmetic surgery will be needed, which would cost approximately 80,000 yuan. Seeing this only-child son who had been totally disfigured, the aged parents, who

had already accumulated a lot of debts, could do nothing except embrace each other and cry. The 70-year-old grandmother, previously could still do mowing in the field and household chores, but she had not been able to leave her bed ever since her only grandchild, Baowei, suffered these injuries, and she cried bitterly in despair every day.

Zhang Hongmei, a 12-year-old girl, was a third-grade primary school student. The diagnosis of the Second People's Hospital of Xinxiang City: Third-degree diesel-oil burns on 36 percent of the face, neck, torso, hips, and four limbs, and less severe burns on 15 percent of those places. The two-month stay in the hospital cost 20,000 yuan. According to her medical record completed at the time when she left the hospital: 1) The wounds had healed; 2) the left upper limb had been deformed by contracture caused by scar hyperplasia; 3) fingers of the left hand had been deformed by joint-crooking contracture and could not hold things; and 4) the lower right limb had been deformed by crooking contracture caused by scar hyperplasia. When the reporter saw young Hongmei, she did not answer any of the reporter's questions and just stared at us, with large tears streaking down her cheeks. Now young Hongmei, her mother, Wang Yiting, told the reporter, is frightened every time she sees people light a match or a lamp, so frightened that she tries to stop such acts. She cannot move her arms and hands, and the mother has to put on and take off her clothes for her; she cannot take care of herself. Toward the end this mother told us: "What can we do? She should have been hospitalized a bit longer to have better treatment. But the family did not have one cent left. The previously farmed 15 mu of land has been deserted because of her accident. We are not capable people and don't have connections; so we will accept our misfortunes. But it will take at least another 40,000 yuan to continue treatment. Now the only thing to do is to wait until next year when we will work harder and do a good job of farming so that we can harvest more grain to earn money for the child's treatment."

When the reporter was leaving Yuanyang, family members of the victims and villagers all came to send me off; they placed hopes on me and were grateful because I had come from "Beijing" which in their eyes meant the "high-up," a fact thought to indicate that their case might receive just settlement. The next day seven or eight of them followed me to Xinxiang City so that they could tell me additional things which they believed should be, but had not been, related to me before my departure from Xinxiang for Beijing. While writing this article, I again received their express-mail letter which stated: "The central conference (referring to the two conferences) [the meetings of the National People's Congress

and the Chinese People's Political Consultative Conference] has now opened. We would like to ask reporter Peng Jianmei to make an appeal on behalf of the victims at the Great Hall of the People. We ask the journal ZHONGGUO QINGNIAN to seek justice for the more than 30 youths and children of our families." I feel very guilty. For, aside from using my pen to write this report, I can do nothing for them. I can only pray together with those simple and honest peasants: May the relevant government agency in charge prescribe a just settlement of the case as soon as possible so that there can be justice for ordinary people!

*Socialism, Development of Productive Forces Viewed

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[Article by Yan Si (0917 1835): "The Socialist System and the Development of the Productive Forces"]

[FBIS Translated Text] In the process of studying *Selected Works of Deng Xiaoping*, Vol 3, people in the academic community in China have expressed many valuable views on the relationship between the socialist system and the development of productive forces, and there is no complete agreement. This is normal. I would like to express my views on this issue.

I. The Emergence of the Socialist System Is Determined by the Social Nature of the Productive Forces; This Is the Inevitable Trend of the Objective Development of History, Instead of the Result of Wilful Subjective Choice Made by People

As is known, it was the utopian socialists who were the earliest to propose the replacement of the capitalist system with a socialist system. They made the argument for their proposition from the perspective of human reason. Although this view reflected the wishes of the laboring people, it was built on the basis of historical idealism and thus had no scientific basis. In contrast to utopian socialists, Marx and Engels did not resort to morality and law when discussing a future socialist system, for they believed that "moral indignation, however appropriate, cannot be regarded as evidence by the science of economics, but can only be regarded as signs" (*Selected Works of Marx and Engels*, Vol 3 p 189). Their basis for raising the issue of future social systems was: "Communism emerges from capitalism; it historically develops out of capitalism, and it is the result of effects generated by those social forces produced by capitalism." (*Selected Works of Lenin*, Vol 3 p 243)

With the development of capitalism, the social division of labor becomes increasingly deep, economic links become increasingly close, and the entire national economy becomes an integrated unit; consequently production becomes increasingly social in nature. This nature of the productive forces objectively demands that the society own the means of production and regulate the national economy as a whole. But the system of bourgeois private ownership of the means of production prevents the fulfillment of this objective demand posed by the social nature of production; as a result, the contradiction between the social nature of production and capitalist private ownership becomes the basic contradiction of capitalism. To resolve this contradiction, it is necessary to replace the system of capitalist private ownership of the means of production with a system of public ownership in view of the nature of the productive forces. As shown above, the establishment of the socialist system based on the system of public ownership is objectively determined by the social nature of the productive forces and the result of the operation of the basic contradiction of capitalism or, in other words, the inevitable trend of historical development.

In his book *Who Are "The Friends of the People"*, Lenin makes an incisive analysis of the socialist system being determined by the social nature of the productive forces and being the inevitable result of the development of capitalism. Capitalist production, he points out, socializes labor; many scattered production processes are integrated into one social production process; social links among producers get ever more solidified; and producers forming an integrated unit. But each bit of production is managed by an individual capitalist, who is allowed to do whatever he wants and to turn social products into privately owned goods. "Thus the form of production and the form of ownership are caught in an irreconcilable contradiction; is this not clear enough?" Therefore, Lenin concludes, "the law of the development of capitalism itself makes it inevitable that the socialist system will come." (Ibid., Vol 1 pp 41-43)

That the socialist system will inevitably replace the capitalist system is a law of social development which cannot be altered by human will; this has all along been a basic principle of Marxism which is known to all. But some people reject this principle under the guise of developing Marxism. They have put forward a "theory of means," arguing that the socialist system is a means, while developing the productive forces is the end, and that as long as the economy is developed, such things as socialism or capitalism do not matter. Since the socialist system is only a means of developing the productive forces but not the inevitable trend of

historical development, it would be proper to make choice and it would not be necessary to be subjected to political and ideological confines.

This proposition is obviously wrong theoretically, because it regards an objective law of social development as something which people may choose either to use or not to use and which is thus a matter of subjective choice, totally denying the inevitability of the establishment of the socialist system as objectively determined by the social nature of the productive forces. We must point out that this proposition is very harmful politically, because it will fundamentally shake our socialist belief. Comrade Deng Xiaoping has emphatically pointed out many times: "We Marxists were fighting for the noble ideals of socialism and communism when making revolution in the past. Today, in carrying out economic reforms, we still must persist in taking the socialist road and adhering to the lofty ideal of communism. . . ." (*Selected Works of Deng Xiaoping*, Vol 3 p 116) "Why were we able to fight on, overcome innumerable difficulties and hazards, and achieve the victory of revolution in the past under very difficult conditions? Because we had ideals, a belief in Marxism and the communist cause. The cause for which we are working is the cause of socialism, and the ultimate goal is to achieve communism. I hope the propaganda sector will never neglect this point at any time." (Ibid., p 110) He warns: "Without ideals and discipline, the situation will be like that of a plate of loose sand, as in the old China; if this is so, how can we succeed in our revolution? How can we succeed in our construction?" (Ibid., p 111) If the socialist system is regarded as one of the alternatives in terms of means of developing the productive forces, but not as our ideal, our belief, and our goal for struggle, our party will lose its cohesiveness and the reform of our country will lose its clear direction. The consequences of this loss would be unthinkable.

By the way, according to this view, the communist party should change its name, for a party always uses its goal for struggle, but not its means, as the name of the party. Perhaps the name should be changed to the "productive force party?!" This is obviously absurd.

II. The Relationship Between the Socialist System and the Productive Forces Is Dialectical; It Is Determined by the Nature of the Productive Forces, But Also Plays a Liberating and Stimulating Role in the Development of the Productive Forces. Stimulating the Development of the Productive Forces Is a Manifestation of the Superiority of the Socialist System

A social system, from the economic perspective, is the reflection of a kind of social relations of production in

terms of the governing system, and therefore the relationship between a social system and the productive forces is in essence also the relationship between the relations of production and the productive forces, a relationship it reflects. Marx pointed out: "The social relations based on which each person conducts production, that is, the *social relations of production, change and develop as the productive forces change and develop; the totality of the relations of production constitutes so-called social relations and so-called society*, constituting society situated in a definite stage of historical development, society which has unique characteristics." (*Selected Works of Marx and Engels*, Vol 1 p 363)

According to the Marxist view, the relationship between the social system and the productive forces which reflects certain social relations of production has two sides: On the one hand, the nature of the productive forces determines the emergence of a certain social system; "what hand-operated mills produced was a society headed by feudal lords, and what steam mills produced was a society headed by industrial capitalists." (Ibid., p 108) On the other hand, once a social system comes into existence, it will exert tremendous effects in turn on the development of productive forces. If the relations of production it embodies are appropriate to the nature of the productive forces, it will stimulate development of the productive forces; otherwise, it will hamper this development. Therefore, the relationship between the productive forces and the social system is a dialectical relationship of determining effects and reaction effects. Whether a social system stimulates the development of the productive forces is a matter of its inevitable objective effects.

The relationship between the socialist system and productive forces also has such two sides. On the one hand, the social nature of the productive forces determines the emergence of the socialist system; on the other hand, it is exactly because the socialist system is appropriate to the nature of the productive forces that it breaks down the constraints imposed by the capitalist relations of production on the development of the productive forces, thereby liberating them and providing a large space for their development. Stimulating the vigorous development of productive forces is exactly the point where the superiority of the socialist system lies. Comrade Mao Zedong points out: "Our country's existing social system is greatly superior to the social system in the old era. ... The talked-about nature of the socialist relations of production as being more appropriate to the development of productive forces than the relations of production in the old era refers to a situation in which the productive forces can develop at a high rate that was impossible in the old society so that production

may continuously expand, thereby gradually satisfying the growing needs of the people." (*Collected Works of Mao Zedong*, Vol 5 p 373). He concludes: "The socialist system has led to the explosive development of our country's productive forces; even foreign enemies have to admit this point." (Ibid., pp 373-374)

Comrade Deng Xiaoping has also raised the issue of promoting the development of the productive forces as one concerning the superiority of the socialist system and the issue of developing productive forces as a basic task aimed at demonstrating the superiority of the socialist system. He points out: "The most fundamental task for the socialist stage is to develop productive forces. Fundamentally the superiority of socialism has to be manifested by a situation in which the productive forces are developing faster and further than under capitalism while the people's material and cultural life is continuously improved on the basis of the development of the productive forces." (*Selected Works of Deng Xiaoping*, Vol 3 p 63) In reviewing the historical experiences of the period after the founding of the state, he specially pointed out that in light of some people's views denying the achievements of the socialist system, the economic, technological, and cultural backwardness in our country "is fundamentally the responsibility of the pre-liberation times. The socialist revolution has already greatly reduced the economic gap between our country and developed capitalist countries. We did make some mistakes, but we have still managed to achieve, in 30 years, progress which the old China had not been able to achieve in hundreds or thousands of years. Our economic construction experienced rapid growth in the past. Now we have summed up our experience and corrected mistakes, and will doubtless develop faster than any capitalist country in the future, and the development will be steady and sustained." (*Selected Works of Deng Xiaoping*, Vol 2 p 152). When asked whether the socialist system or the capitalist system is better, he gave a very clear answer: "Of course the socialist system is better." Since the Third Plenum of the 11th CPC Central Committee, reform and opening up in our country have made sure that the superiority of the socialist system has been demonstrated in a more effective manner; economic construction has advanced a great deal. This fact fully testifies to the correctness of Comrade Deng Xiaoping's argument.

As shown here, the socialist system is closely tied to the development of productive forces. Stimulating the development of productive forces is the objective effect of the socialist system; it demonstrates the liberating and stimulating effects exerted by the relations of production on the forces of production. This is a manifestation

of the superiority of the socialist system and also its fundamental task.

It is exactly because developing the productive forces is the objective effect of the socialist system that the following proposition cannot be sustained, that is, that anything which stimulates the development of productive forces is socialist in nature and that the criterion for distinguishing between capitalism and socialism is whether something can develop the productive forces. It is undeniable that in history all social systems, in the stage of rising, have been able to stimulate the development of the productive forces. Marx and Engels point out in *Communist Manifesto*: "The productive forces created by the bourgeoisie in less than a hundred years of its class rule are more and larger than all the productive forces created by all the previous generations." (*Selected Works of Marx and Engels*, Vol 1 p 256) The reason a new social system can prevail over an old system is, fundamentally, because it makes it possible for the productive forces to develop faster; this is a general law, but not a unique mark of socialism. Certainly, in terms of the liberating and stimulating effects on the productive forces, the socialist system, functioning without class confrontations and conflicts, will demonstrate its special characteristics, as compared with all the social systems based on exploitative relations during the rising stage. But the two are the same in terms of the liberating and stimulating effects on the productive forces. Therefore, when we say that the socialist system can liberate and develop the productive forces, we are not saying that any system which can liberate and develop the productive forces is a socialist system. This is ordinary reasoning based on formal logic.

III. The Founders of Scientific Socialism Give Great Importance to Developing Productive Forces, and Therefore It Is Not Proper To Regard Developing the Productive Forces As the Special Characteristic of "Contemporary Socialism" and To Set It in Opposition to "Traditional Socialism"

When discussing the relationship between the socialist system and productive forces, some have put forward an argument that "according to the traditional socialist view, it is first the socialist system of public ownership, second distribution according to work, and third the dictatorship of the proletariat that determine the socialist system. Those three things are usually considered the essential characteristics of socialism. This view suffers from a most important weakness, that is, neglecting the productive forces and neglecting common prosperity." They take developing the productive forces to be the "contemporary socialist view," setting it in opposition to the "traditional socialist view" which is based

on upholding the system of public ownership, distribution according to work, and the dictatorship of the proletariat, thus using "contemporary socialism" to reject "traditional socialism."

Frankly, we do not approve of dividing socialism into "traditional socialism" and "contemporary socialism," because there are no such two socialisms in existence in real life. Comrade Deng Xiaoping sums up the basic principles of socialism in the form of the four cardinal principles, that is, politically, upholding the leadership position of the communist party and practicing the dictatorship of the proletariat; economically, maintaining the predominant position of the system of public ownership of the means of production and applying the principle of distribution according to work, thereby gradually achieving common prosperity; and ideologically, being guided by Marxism-Leninism. [sentence as published] The social system founded on the four cardinal principles is the fundamental system of socialism. Rejecting the four cardinal principles means rejecting the fundamental system of socialism. As Comrade Deng Xiaoping points out: "To shake any of the four cardinal principles is to shake the entire cause of socialism. ..." (*Selected Works of Deng Xiaoping*, Vol 2 p 159) This is a fundamental point common to socialist social systems, and there should not, will not, be a distinction between "traditional" and "contemporary" ones. In terms of specific methods and measures for building socialism and particular political and economic systems and operating mechanisms, there will be, and should be, differences; this is a matter of the uniqueness of each society. But, such differences exist both between different stages of socialist development and between different countries, and can hardly be described by such terms as "traditional" or "contemporary."

We will now borrow those two concepts for the purpose of analyzing their views. With regard to the above-mentioned views on "traditional socialism" versus "contemporary socialism," we must point out two things.

First, when discussing the socialist system, the founders of scientific socialism never reject, but give great importance to, developing productive forces. They always take developing the productive forces to be the chief task of socialism and the foundation for consolidating the socialist system and ultimately prevailing over capitalism. When shortly after the victory of the October Revolution, the socialist system had just been established, Lenin pointed out: "The chief task of the Soviet Republic is to restore productive forces and develop agriculture, industry, and the transport industry." (*Complete Works of Lenin*, Vol 32 p 366) "After the proletariat has secured state power, its most important and fundamental interest lies in increasing the quantity

of products and greatly expanding the social productive forces," for otherwise, "there can be no victory of socialism to speak of." (*Selected Works of Lenin*, Vol 4 p 586)

In the process of building socialism in the Soviet Union, Stalin also placed developing the productive forces in a very important, or even the most important, position. He said: "Socialism can be built only on the basis of vigorous development of the social productive forces, on the basis of prosperous lives for laborers, and on the basis of rapidly raising the cultural level." In view of some people's muddleheaded views, Stalin clearly pointed out: "Socialism is not to make everyone poor, but to eliminate poverty." "It is foolish ... to believe that socialism can be built on the basis of poverty. ... This is not socialism, but a caricature of socialism." (*Selected Works of Stalin*, Vol 2 p 339) It was exactly under the guidance of such thinking that despite mistakes of this or that kind, socialist construction in the Soviet Union generated explosive development of the productive forces, and that thus in the short period of over ten years before the war the Soviet Union changed from an economically very backward country into the second strongest industrial power in the world through one leap.

Comrade Mao Zedong also emphasized that it was necessary to vigorously develop productive forces under the socialist system. As discussed above, he held that the superiority of the socialist system lies in being able to make the productive forces develop faster than under capitalism to be able to be more effective in improving people's lives. Doubtless, Comrade Mao Zedong failed to appropriately assess the situation of class struggle for a time; this is a serious lesson. But, theoretically, he never rejected the development of productive forces. On this issue, Comrade Deng Xiaoping made a realistic analysis of Comrade Mao Zedong. It was, said he, not true that Comrade Mao Zedong "did not want to develop productive force, but the methods were not all correct; for example, the "Great Leap Forward" and "People's Commune" campaigns were not actions taken in accordance with laws of socioeconomic development." (*Selected Works of Deng Xiaoping*, Vol 3 p 116) Then he attempted to stimulate the development of productive forces through focusing on class struggle. Such wrong methods do not prove that Comrade Mao Zedong was opposed to the development of productive forces; on the contrary, Comrade Mao Zedong was very concerned with quickly changing our country's situation of poverty and underdevelopment on the basis of developing production, making people prosperous in a short time.

Second, the system of public ownership, distribution according to work, and the dictatorship of the proletariat

are the essential characteristics and basic principles of socialism; to reject them would be to fundamentally reject socialism.

Those who talk about "traditional socialism" and "contemporary socialism" would belittle, or even reject, the former, while endorsing and advocating the latter. In their view, things such as the system of public ownership, distribution according to work, and the dictatorship of the proletariat do not matter; the critical issue is to develop the productive forces; whatever develops the economy is socialism. In the *Communist Manifesto*, Marx and Engels says: "Communists can sum up their theory in one sentence: eliminating the system of private ownership." (*Selected Works of Marx and Engels*, Vol 1 p 265) Does it not constitute the rejection of the most basic principle of Marxism to say that the system of public ownership is a characteristic of "traditional socialism" and can be renounced under "contemporary socialism"? Distribution according to work is the necessary, and also inevitable, distribution principle at the present level of the productive forces and on the basis of public ownership of the means of production. Only by practicing distribution according to work will it be possible to gradually achieve common prosperity. Under current conditions, the renunciation of distribution according to work is certain to lead to exploitation of man by man and to polarization. Is this not going in a direction away from socialism? Lenin pointed out that whether one accepts the dictatorship of the proletariat is the touchstone which distinguishes true Marxism from pseudo-Marxism. Is it not pseudo-Marxism to derogatorily describe the dictatorship of the proletariat as "traditional socialism" and to hold that "contemporary" socialism can do without the dictatorship of the proletariat?

We do not deny that in the primary stage of socialism nonpublic economic sectors and distribution conducted not according to work may, and should, be allowed to exist, but they are only supplementary, and should only be in a supplementary position. The predominant position must be, and can only be, assumed by public ownership and distribution according to work; otherwise there would be no socialism to speak of. As for the dictatorship of the proletariat, it is even more necessary to steadfastly practice it in any stage of socialist development.

Comrade Deng Xiaoping has repeatedly emphasized that "one thing is that public ownership must be the predominant form and the other is common prosperity; these are the fundamental principles of socialism that we must uphold." (*Selected Works of Deng Xiaoping*, Vol 3 p 111) "Socialism has two very important aspects; one is that public ownership should be the predominate form and the second is to avoid polarization." (*Ibid.*,

p 138) It is also he who gives the highest importance to the dictatorship of the proletariat, arguing that "defending the socialist system with the dictatorship of the proletariat is a basic standpoint of Marxism," (Ibid., p 379) and repeatedly reminding everyone of the need not to lower his guard on the issue. Are these not the most fundamental things that we have always upheld and will continue to uphold?

IV. Upholding the Fundamental System of Socialism and Persisting in Reform and Opening Up Are United; It Is on the Point of Liberating and Developing the Productive Forces That the Two Are United

Some people often raise this question: If the socialist system is appropriate to the nature of the productive forces and capable of stimulating the development of the productive forces, why is it necessary to carry out reform? Why is it still necessary to liberate and develop productive forces through reform?

To answer that question, we need to review Comrade Mao Zedong's analysis of the contradictions in socialist society. In *On the Correct Handling of Contradictions Among the People*, Comrade Mao Zedong applies Marxist dialectics in rebutting the erroneous theory that there would no longer be contradictions in socialist society, pointing out: "In socialist society, the basic contradictions remain the contradiction between the relations of production and the productive forces and the contradiction between superstructure and the economic base. The only difference is that those contradictions in socialist society are of a fundamentally different nature and in fundamentally different situations. Contradictions of capitalist society cannot be resolved by the capitalist system itself, but can only be resolved through socialist revolution. Contradictions of socialist society are a different matter. ... They can be resolved by the socialist system itself in a continuous process." He enunciated the state of contradictions of socialist society, pointing out that the socialist relations of production "are appropriate to the development of the productive forces. But they are imperfect, and such imperfections are in contradiction with the development of the productive forces." (*Collected Works of Mao Zedong*, Vol 5 pp 373-374)

Those points made by Comrade Mao Zedong established the theoretical foundation for our country's reform. He enunciated, philosophically, the necessity of reform and the targets, nature, and content of reform. Since contradictions exist in socialist society which develops in the process of continuously resolving contradictions, it will be necessary to resolve contradictions and stimulate the development of the productive forces through reform. Since most contradictions in socialist

society are non-antagonistic contradictions among the people and can be resolved by the socialist system in a continuous process, reform is in the nature of the self-perfection of the socialist system. Since socialist relations of production are both appropriate and inappropriate to the productive forces, we must maintain the part of the socialist relations of production which is appropriate to the development of the productive forces (this is the basic part) and reform the part which is inappropriate to the development of the productive forces (this is a limited part). Both maintaining the appropriate part and reforming the inappropriate part are for the purpose of liberating and developing productive forces.

Applying Comrade Mao Zedong's theory of contradictions in socialist society, our party concretely analyzed the actual state of contradictions between the relations of production and the productive forces after the "Cultural Revolution" in our country, and made the great decision to initiate reform and opening up at the Third Plenum of the 11th CPC Central Committee, thus greatly stimulating the development of the productive forces in our country. When discussing reform, Comrade Deng Xiaoping makes a strict distinction between the fundamental system of socialism and the particular economic system and operating mechanisms. In his important 1992 southern inspection tour remarks, he pointed out: "The overthrow of the reactionary rule of imperialism, feudalism, and bureaucratic capitalism liberated the productive forces of the Chinese people. This was a revolution; therefore revolution liberates the productive forces. After the establishment of the fundamental system of socialism, it is still necessary to fundamentally change the economic system which constrains development of the productive forces and establish a socialist economic system which is full of vitality and vigor, thereby stimulating the development of these forces. This is reform; therefore reform also liberates the productive forces." (*Selected Works of Deng Xiaoping*, Vol 3 p 370)

Comrade Deng Xiaoping has enunciated, in concrete terms, the situation in which the socialist relations of production are both appropriate to and in contradiction with the productive forces: the fundamental system of socialism is appropriate to the nature of the productive forces and capable of stimulating development of these forces, and therefore must be maintained; what are in contradiction to their development are some specific forms of actualization, that is, the particular economic system and operating mechanisms, and therefore it is necessary to reform them, that is, change the economic system and transform operating mechanisms. The fundamental system of socialism is to be maintained because it meets the need posed by development of productive forces and is capable of liberating and developing them;

reform is to be pursued persistently because the preexisting economic system constrains their development and because, consequently, only by changing them would it be possible to liberate and develop them.

V. Developing Productive Forces Is the Foundation for Consolidating the Socialist System, But It Is Not Proper To Hold That As Long As the Economy Is Developed, the Socialist System Will Get Consolidated Automatically; It Is Necessary To Adhere To the Policy of Devoting Efforts to Both of These Things

The socialist system is determined by the social nature of the productive forces, and it opens a large space for the development of productive forces; at the same time development of the productive forces provides, in turn, the material foundation for consolidating the socialist system.

In general, whether any new social system can prevail over an old, backward social system is ultimately determined by economic development. Lenin once said: "In the final analysis, labor efficiency is the most important and essential in regard to ensuring the triumph of a new social system." (*Selected Works of Lenin*, Vol 4 p 16) The socialist system is no exception.

Whether from a long-term and fundamental perspective or in view of the current state of affairs, we must, in all cases, concentrate on getting the economy developed in order to consolidate the socialist system.

Nevertheless, it is not proper to hold that if economic construction is carried out successfully, the socialist system will get consolidated automatically. It has been suggested that as long as the economy is developed, those people will not be able to achieve the occurrence of evolution even if they have such intention. This view is not realistic. When emphasizing the importance of developing the economy, Comrade Deng Xiaoping has always demanded that a good job be done of carrying out the construction of spiritual civilization. He demands that effort be devoted to both of these things and that the approach to each be resolute. Devoting effort to both should become an important guiding principle and be accepted as an important part of leadership methods and art in terms of the cause of modernization construction and reform and opening up, a cause led by our party.

The reason we must do a good job of carrying out the construction of socialist spiritual civilization while devoting effort to the construction of socialist material civilization is not only because the various parts of socialist modernization are mutually complementary and should be based on comprehensive development, with the construction of spiritual civilization being capable

of providing intellectual support for the construction of material civilization, but also because only by doing a good job of carrying out party building and enhancing ideological and political work would it be possible to ensure that economic construction develops in the right direction. Comrade Deng Xiaoping points out in a profound manner: If effort is devoted only to the construction of material civilization but not to the construction of spiritual civilization, and if as a result "there is increasing corruption of social practices, what would be the value of economic success? There will be degeneration in the other aspect, resulting in a world where embezzlement, theft, and bribery are rampant." (*Selected Works of Deng Xiaoping*, Vol 3 p 154) It is necessary never to reduce the issue of consolidating the socialist system to the issue of developing the economy, even though developing the economy is the foundation for that effort. What is needed here is a dialectical, comprehensive approach. Only by devoting effort to both things and adopting a resolute approach to each will it be possible to truly ensure the long-term stability of socialist society.

Science & Technology

China To Limit Access to Internet

*HK2106061695 Hong Kong AFP in English
0516 GMT 21 June 95*

[FBIS Transcribed Text] Beijing, June 21 (AFP)—China's Minister of Posts and Telecommunications Wu Jichuan said here Wednesday that the government has decided to limit local users' access to the information superhighway.

"It is a kind of progress in terms of science and technology for China to be linked (to the) Internet," said Wu at a press conference, referring to the global computer-linked information network. "But as a sovereign state, China will exercise a control on the information." "By linking with Internet, we do not mean absolute freedom of information," he said without elaborating on how access would be limited.

China, whose economic development could benefit from access to the network which allows for cheap communications and a free exchange of ideas, may feel that unrestricted access could endanger its communist government, observers said.

The ministry has acknowledged that censoring usage of the network will be difficult. "We are fully aware of the difficulties and technical problems we will face to manage such a network," Wu said.

Foreign experts have said it is impossible to limit information available on the Internet, but added that access could be controlled.

Computer users in Beijing and Shanghai can connect to the Internet and another 10 cities will have access by the end of the year. China is also developing the China Education and Research Network (CERNET), which is connected to the Internet and will serve as an information network for some 2,000 universities.

China Leads in Space Inertia Technology Research

HK2106032695 Beijing ZHONGGUO XINWEN SHE in Chinese 1047 GMT 8 Apr 95

[By correspondent Liu Linzong (0491 2651 1350)]

[FBIS Translated Text] Beijing, 8 Apr (ZHONGGUO XINWEN SHE) — The inertial guidance and stability system developed by the No. 13 Institute of the Chinese Research Institute of Carrier Rocket Technology has been successfully applied in the Long March series carrier rockets and other types of rockets. Thus, China has scored world-impressive achievements in its space inertia technology research.

In the early 1960's, the inertial element for China's first short-range rocket was developed by this institute which, over the past 35 years, has taken five major steps forward in the study of inertia technology, i.e. improving ball-bearing gyroscopes, researching into the static pressure air support technology, researching into the static pressure liquid floated technology, developing the four-axis flexure gyroscope platforms, and developing the rate strapdown inertial system.

The five major steps represent five important technological methods for the development of professional skill. The breakthrough made in one technology can meet the needs of many types. These technologies have been tested in the successful launching of Long March 1, Long March 2C, and Long March 2 cluster, and Long March 3A rockets, proving the advanced nature of the technology. In particular, the use of a four-axis flexure gyroscope platform for the first time in China to move a Long March 3A rocket, a high-orbit rocket with the greatest carrying capability, is also considered quite advanced in the world. This platform is capable of changing and fixing the position, spinning, despinning a carrier rocket dramatically and is suitable for launching a rocket in many directions. It has substantially increased the capability of China's carrier rockets to join in international commercial rocket launching. The combined rate strapdown inertial technology successfully developed by the institute is also considered first rate in the world.

Over the past 35 years, nearly 200 research achievements of the No. 13 Institute of the Chinese Research Institute of Carrier Rocket Technology have won state or ministerial-level awards for scientific and technolog-

ical progress. Of these, a certain type of static pressure air support gyroscope stability platform has won a special state award for scientific and technological progress.

Xinjiang Builds Telecommunications Network

HK2106025995 Beijing ZHONGGUO XINWEN SHE in Chinese 1159 GMT 2 Apr 95

[By Li Dehua (2621 1795 5478): "Xinjiang Has Bigger Satellite Telecommunications Network Than Other Provinces and Autonomous Regions Across the Country"]

[FBIS Translated Text] Urumqi, 2 Apr (ZHONGGUO XINWEN SHE)—In an interview with this reporter, Zhao Guoyu, director of the Administration for Posts and Telecommunications of the Xinjiang Uygur Autonomous Region, said that Xinjiang has a bigger satellite telecommunications network than other provinces and autonomous regions across the country, adding that it is no longer difficult to make a phone call in Xinjiang.

According to Zhao, the Xinjiang section of the Asia-Europe optical fiber cable went into operation ahead of schedule a few days ago, basically overcoming the difficulty involved in telecommunications between Xinjiang and other parts of the country and the outside world. The optical fiber cable is 1,700 km long, and the three systems now in service have sharply increased Xinjiang's outbound telecommunications lines to 5,700, representing a 13-fold increase. In the eastern direction the network can join the Shanghai-Japan-U.S. undersea optical fiber cable and in the western direction it can join the European telecommunications network via the Frankfurt telecommunications center and then the American telecommunications network, providing Xinjiang a more convenient and rapid means to exchange information with the outside world.

In the meantime, the digital microwave telecommunications line linking southern and northern Xinjiang, the longest one in the country, went into service last year. The satellite ground station in Urumqi has increased its capacity. At present, Xinjiang, an autonomous region with a population of 16 million, has a total of 7,680 business lines. Xinjiang has also an automatic long-distance switchboard with a capacity of 15,560 terminals. This year Xinjiang will invest an additional 1.7 billion yuan in telecommunications projects. By the summer of 1996, a telecommunications line linking Urumqi with Karamay and Tacheng via Kuytun, a telecommunications line linking Karamay with Altay, and a telecommunications line linking Urumqi with Korla, Kashi, and Hotan via Turpan will have been laid. The total length of the three telecommunications lines, which will link southern and northern Xinjiang, is 2,930 km. A total of nine

secondary optical fiber trunk cables linking prefectures and autonomous prefectures with county seats have been recently laid. The regional micro satellite telecommunications network has been accomplished. A total of 50 telecommunications substations have been put into service. The telecommunications project connecting computers regionwide has been accomplished. And another 5,000 long-distance business telecommunications lines have been established.

Zhao, who has been in the postal and telecommunications line for over 30 years, said: By the end of this year, the proportion of program-controlled telephones in county seats regionwide will have increased to 96 percent, higher than the average national rate of 87.9 percent. Telephone service is now available in about 95 percent of townships and towns throughout Xinjiang and program-controlled telephones have been installed in a considerable number of these townships and towns.

In another development, "mobile telephones" have begun to find their way into civilians' homes. In public places in Urumqi, men and women are often seen talking over their portable "mobile telephones." "Mobile telephones" have become operational in all prefectoral and autonomous prefectural capitals across the region with the number of mobile telephones reaching 13,400. Wireless paging has been popularized to most counties with the number of subscribers hitting 70,000. Urumqi has joined the state public subgroup key exchange network [guo jia gong yong fen zu jiao huan gu gan wang 0948 1367 0361 3938 0433 4809 0074 2255 7539 1626 4986].

Zhao added: By late 1997, city-wide telephones in Xinjiang will increase to 2.1 million, meaning that every one hundred people will have eight telephones on average; in urban areas, telephones service will be made available to 30 percent of the population; in prefectoral and autonomous prefectural capitals, the rate will increase to 40 percent, meaning that telephones will be installed in 90 percent of the households. In the meantime, a new mobile telecommunications network and a new wireless paging telecommunications network will be built and the 900-megacycle mobile telecommunications network will join the national roaming [man you 3355 3266] network.

Military & Public Security

Army Colleges To Recruit 10,000 Graduates

OW2006162395 Beijing XINHUA in English
1613 GMT 20 Jun 95

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — The universities and colleges affiliated with the Chinese People's Liberation Army (PLA) will recruit more than

10,000 high school graduates from across the country this year, 2,000 more than last year's number.

According to the PLA General Political Department, a total of 69 PLA senior technical colleges and engineering institutes are prepared to take in high school graduates, of which girls will make up six percent.

The possible majors will cover a range of more than 200 specialities, such as military leadership skills, engineering, technology and foreign languages.

The recruitment process, which is well under way, is aimed at attracting more energetic youths who are willing to devote their talent to the modernization of national defence.

The state is now adopting a preferential policy in recruitment for the armed forces, and applicants who pass the interview and health exam will be informed.

Those who are rejected by the armed forces will be permitted to enroll in ordinary universities or colleges in accordance with their qualifications or desire.

Commentary on Law Enforcement Supervision

OW2106085595 Beijing XINHUA Domestic Service
in Chinese 1034 GMT 19 Jun 95

[("Commentary" by RENMIN RIBAO reporter Zhang Yan (1728 0917) and XINHUA reporter Liu Siyang (0491 1835 2254): "Strengthen Law Enforcement Supervision While Implementing Macroeconomic Regulation and Control Policies"; first paragraph is XINHUA "editor's note"]

[FBIS Translated Text] Beijing, 19 Jun (XINHUA) — Supervision of law enforcement has been a basic function of discipline inspection and supervisory organs, an important means for these organs to promote and guarantee implementation and enforcement of party principles and policies as well as state laws and regulations, and an important task to be well carried out constantly as the anticorruption struggle deepens. In recent years, discipline inspection and supervisory organs have systematically and emphatically exercised supervision of law enforcement primarily related to party and government work, playing a positive role in guaranteeing smooth implementation of government decrees; in maintaining central authority; and in promoting reform, development, and stability. Beginning today, XINHUA will consecutively transmit four commentaries jointly written by RENMIN RIBAO and XINHUA reporters on strengthening law enforcement supervision to guarantee smooth implementation of government orders, and, hopefully, deepen law enforcement supervision.

The government's macroeconomic regulation and control has been an organic integral part of a modern market economic system. To smooth implementation of reform and opening up as well as economic construction, the CPC Central Committee and the State Council have in recent years formulated a series of policies and measures designed to strengthen macroeconomic regulation and control and rectify the economic order. To guarantee implementation of central policies and measures on macroeconomic regulation and control, the CPC Central Committee's Discipline Inspection Commission and the Supervision Ministry have issued the "Circular on Strict Adherence to Party and Government Discipline To Guarantee Implementation of Various CPC Central Committee and State Council Reforms and Measures on Economic Work," with a meeting held to map out specific arrangements.

In recent years, discipline inspection and supervisory organs at various levels have been actively carrying out law enforcement supervision in accordance with CPC Central Committee and Supervision Ministry demands to resolutely ensure uniformity, authoritativeness, and effectiveness of central measures on macroeconomic regulation and control. After successfully conducting supervisory checks on loans extended in violation of regulations and organizations formed without authorization and in coordination with operation departments, discipline inspection and supervisory departments in the financial system managed to press relevant departments to withdraw illegally extended loans amounting to 15.6 billion yuan and close down or suspend pending rectification of 608 illegally incorporated financial institutes. In exercising special law enforcement supervision over the taxation restructuring and outstanding issues, discipline inspection and supervisory departments at various levels in the taxation system have exposed, investigated, and punished law and discipline violations, including unauthorized change of taxation categories, tax reduction and exemption, channeling central taxes to local accounts, tax evasion, and deception of export tax refunds. In cooperation with relevant departments engaged in screening fixed assets investment projects, Shandong provincial discipline inspection and supervisory organs have suspended or delayed 428 projects costing over 1 million yuan each, with a subtraction of 14.5 billion yuan in other investments.

In cooperation with relevant departments, discipline inspection and supervisory organs also conducted supervisory checks on curbing inflation, price policy enforcement, and excessive growth of consumption funds to halt and correct in time such moves as noncompliance with the state price policy; disruption of circulation

order; and unauthorized issuance of cash awards, allowances, and material things.

Although law enforcement supervision has contributed positively to implementing central macroeconomic regulatory measures, it should be noted that there are still some comrades who fail to correctly understand macroregulation and control and refuse to obey orders or observe prohibitions. Their action has corrupted social values and impaired reform, opening up, and economic construction.

According to principles defined by the central Economic Work Conference, curbing inflation will be the most important task in macroregulation and control this year; hence, effective measures should be adopted to lower the excessive price hike margin. The party Central Committee and the State Council have formulated concrete policies and measures to check inflation, the genuine implementation of which requires the unified understanding and real action from all localities and departments. Discipline inspection and supervisory organs at various levels should realistically perform their functions on law enforcement supervision; in particular, they should be active in screening fixed assets investment projects, in supervising price checks, and in investigating excessive increases in consumption funds in coordination with relevant departments. In addition, in coordination with relevant departments, they should strengthen supervisory inspection of enforcement of policies relating to the appraisal of fixed assets and circulating funds, screening "minitreasuries" [xiao jin ku 1420 6855 1655], taxation restructuring, and taxation policies to prevent losses of state assets and guarantee collection of state revenues.

This year is an important year to further deepen reform, open up wider to the outside world, and promote a healthy economic development. With concerted efforts from all concerned, the central macroeconomic regulation and control objectives will surely be accomplished and the favorable trend of national economic development will certainly be maintained.

Militia Weaponry Management Regulations

OW2006143795 Beijing XINHUA Domestic Service in Chinese 0642 GMT 12 Jun 95

[FBIS Translated Text] Beijing, 12 Jun (XINHUA) — Regulations on Militia Weaponry Management

Chapter I General Principles

Article 1. These regulations have been formulated to improve militia weaponry management and ensure that the militia will complete its operational, service, and training missions.

Article 2. The militia weaponry mentioned in these regulations refers to weapons, ammunition, and military technical equipment that are provided to the militia for use and storage.

Article 3. The basic mission in militia weaponry management is to ensure that militia weaponry will be kept in good technical condition at all times, to prevent such incidents as losses and thefts, to guarantee the safety of weaponry, and to ensure that the militia can use the weaponry at any time to perform their mission.

Article 4. The People's Liberation Army [PLA] General Staff Department (hereinafter referred to as the General Staff Department) shall be in charge of nationwide militia weaponry management under the leadership of the State Council and the Central Military Commission.

Military regions, military districts (including garrison commands; the same is true hereinafter), military sub-districts (including garrison divisions; the same is true hereinafter), and the people's armed forces departments of counties (including autonomous counties, cities without districts, and districts under cities; the same is true hereinafter), townships (including minority townships and towns; the same is true hereinafter), enterprises, and institutions shall be responsible for managing militia weaponry in their respective areas and units.

Article 5. Local people's governments at all levels must strengthen leadership over militia weaponry management, and urge relevant units to manage militia weaponry properly.

The relevant departments of local people's governments at all levels shall help military organs manage militia weaponry and solve relevant problems.

Enterprises and institutions shall include militia weaponry management in their management plans and accomplish all tasks in accordance with the requirements of local people's governments and local military organs.

Article 6. In militia weaponry management, existing weaponry shall be managed scientifically and systematically in accordance with the principles of waging arduous struggles and building the Army through diligence and thrift, so that the militia can use existing weaponry to complete their missions.

Chapter II Duties and Division of Work

Article 7. In managing militia weaponry, military regions, military districts, military subdistricts, and the people's armed forces departments of counties, townships, enterprises, and institutions shall perform the following duties:

(1) Draw up the militia weaponry management rules and regulations of their respective areas or units in accordance with these regulations and higher military organs' provisions on militia weaponry management;

(2) Organize and urge units and personnel under their jurisdiction to implement militia weaponry management laws and regulations, and establishing and maintaining management order;

(3) Select and train militia weaponry custodians and technicians;

(4) Teach custodians and users to manage and use militia weaponry properly;

(5) Safeguard militia weaponry and preventing accidents;

(6) Keep track of the way militia weaponry is managed, and expeditiously reporting and solving problems in management; and

(7) Complete other militia weaponry management tasks assigned by higher military organs.

Article 8. Militia weaponry custodians and users shall perform the following duties:

(1) Observe militia weaponry management laws and regulations;

(2) Familiarize themselves with militia weaponry functions; learning to use, maintain, and inspect weaponry, and to eliminate general malfunctions;

(3) Keep secrets about militia weaponry;

(4) Safeguard militia weaponry and preventing accidents; and

(5) Perform other duties of guarding and using militia weaponry.

Article 9. The headquarters of military organs shall be responsible for organizational and planning work, such as providing, replenishing, adjusting, using, and preserving militia weaponry.

Article 10. In accordance with the principle of division of work, the headquarters or equipment and technology departments of military organs shall be responsible for technical management work regarding militia weaponry, such as storage, technical evaluation, maintenance, and repairs.

Chapter III Provision and Replenishment

Article 11. The General Staff Department shall make unified plans for providing and replenishing militia weaponry. Military regions, military districts, military

subdistricts, and county people's armed forces departments shall formulate local provision and replenishment plans in accordance with plans drawn up by higher authorities, and shall organize efforts to implement them.

Article 12. Militia weaponry shall be provided to key areas and deployed rationally in accordance with the plans for forming primary militia units and the requirements for war-preparedness, service, and training missions.

Article 13. County people's armed forces departments shall provide the weaponry needed by militia units that are attached to military units to perform operational and frontline-support missions. After the weaponry arrives in the military units, the latter shall be responsible for replenishing items that undergo wear and tear.

Article 14. The adjustment of militia weaponry is subject to approval by county people's armed forces departments and military subdistricts, districts, and regions on a jurisdictional basis. Weaponry that is outside these jurisdictions is subject to approval by higher military organs. Weaponry that is transferred out of the militia establishment is subject to the General Staff Department's approval.

Article 15. The General Staff Department's approval must be obtained for the production, assembly, receipt, and purchase of militia weaponry.

Chapter IV Safekeeping and Use

Article 16. Militia weaponry shall be kept in accordance with technical, war-preparedness, and safety requirements, and a sound shift-work, registration, inspection, and maintenance system shall be established so that no weaponry will be lost, damaged, rusted, mildewed, and rotted.

Weapons and ammunition shall be kept separately.

Article 17. Militia weaponry shall be kept in militia weaponry warehouses at or above the county level. With the approval of military districts, township people's armed forces departments, enterprises, institutions, or militia posts may take care of weaponry needed for war preparedness and duty performance.

The people's armed forces departments of townships, enterprises, and institutions shall take care of antiaircraft machine guns and artillery provided to the townships, enterprises, and institutions.

Article 18. The militia weaponry warehouses of military districts and subdistricts shall be managed in accordance with both these regulations and the Chinese PLA's provisions on arms depot management. Militia weaponry warehouses at or below the county level shall be man-

aged in accordance with both these regulations and the relevant provisions of higher military organs.

Article 19. Township people's armed forces departments, enterprises, and institutions that take care of militia weaponry must possess well-built warehouses and arms cases (boxes and racks), as well as reliable safety installations, to be guarded by full-time custodians.

Article 20. As militia weaponry warehouses are the state's military installations, local people's governments at all levels and military organs shall protect them in accordance with the "Law of the People's Republic of China [ROC] on the Protection of Military Installations."

Article 21. People's armed forces departments shall examine and approve, in accordance with relevant provisions, militiamen who take possession of weaponry, as well as militia weaponry warehouse keepers, and submit their names to military organs at the next higher level for filing purposes.

Article 22. The construction, expansion, and remodeling of militia weaponry warehouses that belong to military districts, military subdistricts, and county and township people's armed forces departments shall be incorporated into local capital-construction plans for overall arrangement, and people's governments at corresponding levels shall obtain funds needed for these purposes. Funds needed for building and remodeling militia weaponry warehouses under enterprises and institutions shall be obtained in accordance with relevant state provisions.

Wages, official expenses, and fringe benefits for workers and staff members working at militia weaponry warehouses in military districts and subdistricts shall be disbursed from national defense expenditures. Maintenance fees, operating expenses, and workers' wages in connection with county militia weaponry warehouses shall be settled in accordance with relevant state provisions.

Article 23. Militia weaponry kept in storage can only be used with approval in ordinary times. Militia weaponry kept in simple storage can only be used with the approval of military organs at or above the military-subdistrict level. New weaponry or militia weaponry kept in storage for a long time can only be used with the approval of military organs at or above the military-district level.

Article 24. The use of firearms for university and college students' military training purpose should be approved in accordance with provisions. Such firearms shall be provided by local county people's armed forces department and universities and colleges shall be responsible for their storage and control.

Firearms to be used by students for military training must be technically treated to ensure that they cannot be used for range practice.

Article 25. Local county people's armed forces department shall provide firearms to be used by students of universities, colleges, senior middle schools, and schools equivalent to a senior middle school for range practice during military training, and shall be responsible for their control.

Article 26. When militia coordinate with army units performing a mission or with public security organs maintaining social order and need to use militia weaponry, such weaponry should be used in accordance with relevant provisions.

Article 27. The borrowing of militia weaponry is not permitted without authorization. In case it is necessary to borrow such weaponry issued to militia or militia organizations to perform a mission or for training purpose, the borrowing must be reported to county people's armed forces department for approval. The borrowing of militia weaponry stored in the weaponry depot of militia at and above the county level must be reported to the military organ at the higher level for approval.

Article 28. The following provisions must be observed in the storage, control, and use of militia weapons and ammunition:

- (1) It is prohibited to fire and throw such weapons and ammunition at will;
- (2) It is prohibited to fire such weapons with ammunition not suitable for them;
- (3) It is prohibited to quarrel and fight noisily with weapons and ammunition;
- (4) It is prohibited to dismantle weapons and ammunition or change their functions and property at will;
- (5) It is prohibited to borrow and check out weapons and ammunition without authorization;
- (6) It is prohibited to use weapons and ammunition for game hunting without authorization;
- (7) It is prohibited to carry weapons and ammunition without authorization; and
- (8) It is prohibited to take weapons to participate in fighting with weapons between groups of people or to participate in the handling of civilian disputes.

Article 29. When militia weapons and ammunition are issued to individuals as equipment to meet the needs of performing a mission, a system of requiring a firearms permit and a pass for carrying firearms shall

be implemented. The forms of such permit and pass and the methods for their use shall be formulated by the General Staff Department of the PLA.

Article 30. The principle of using old ones to save new ones and incomplete ones to save complete ones should be observed in the use of militia ammunition. The ammunition left over from military training, repair of weapons, and test must be returned to the weaponry depot of militia at and above the county level for storage and control. They shall be included in the statistics of the year's power in terms of equipment. No units or individuals are permitted to retain such ammunition secretly.

Article 31. The standards of ammunition needed for militia's and students' military training shall be formulated by the General Staff Department, which shall also transmit the quota of ammunition to the lower levels and allot the quota to them, one by one.

Article 32. With the approval of the Central Military Commission or the General Staff Department, a provincial military district shall be responsible for allotting the ammunition needed for a military demonstration to be staged by militia for foreigners.

Article 33. The request for ammunition needed for repairing and testing militia weapons and for conducting a test or chemical examination shall be approved and allotted by the equipment and technical department of a provincial military district in accordance with the PLA's relevant standards. In case a provincial military district has no equipment and technical department, such a request for ammunition shall be approved and allotted by its headquarters.

Article 34. It is strictly prohibited to divert, lend, or swap militia weaponry. It is prohibited to offer militia weaponry as a present or sell them without the approval of the Central Military Commission or the General Staff Department.

Article 35. It is prohibited to use militia weaponry for production and business operation purposes without the approval of the General Staff Department.

Article 36. In case militia weaponry is missing or stolen, such an incident should be immediately reported to the local military organ and people's government and prompt action should be taken to deal with it.

The local military organ must report such an incident, level by level, to the General Staff Department.

Chapter V Repair and Report as Unserviceable

Article 37. The county people's armed forces department is responsible for repairing militia weaponry under

its control, and enterprises are responsible for repairing militia weaponry under their storage and control. In case they are incapable of doing a repair job, the military subdistrict, provincial military district, and military region's weapons repair shop (factory) shall be responsible for the repair job. The provincial military district's depot for militia weaponry shall be responsible for the repair of ammunition. If the warehouse is incapable of doing the repair job, the headquarters of the military district shall be responsible for arranging the repair job.

The outlay needed for the repair and maintenance of militia weaponry shall be defrayed from the item of equipment control and maintenance expenses under the item of militia operation expenses.

Article 38. Weapon repair shops in military subdistricts and districts shall be responsible for repairing militia weaponry, as well as the weaponry of units directly under the military subdistricts and districts. Wages, official expenses, and fringe benefits for workers in these shops shall be disbursed from national defense expenditures.

Article 39. Militia weaponry shall be classified or reclassified in accordance with the Chinese PLA's relevant provisions.

Article 40. Approval is needed to junk militia weaponry. The General Staff Department shall define the limits of authority for approving and handling the junking process.

The rules on junking militia weaponry shall be implemented in accordance with the Chinese PLA's relevant provisions.

Militia weaponry of historic significance shall be preserved properly and may not be disposed of without authorization.

Article 41. The diversion to other purposes of militia weaponry management and maintenance fees, maintenance materials, or spare parts is strictly prohibited.

Chapter VI Awards and Penalties

Article 42. People's governments and military organs shall award units and individuals who meet any of the following requirements:

- (1) Fighting off efforts to plunder, steal, damage, or otherwise jeopardize militia weaponry;
- (2) Saving or protecting militia weaponry in dangerous incidents, or staving off dangerous incidents;
- (3) Managing militia weaponry at the grass-roots level for a long time, or splendidly completing militia weaponry maintenance jobs;

(4) Undertaking dangerous militia weaponry management operations, and successfully completing relevant assignments; and

(5) Strictly implementing various rules and regulations, and turning in an outstanding performance in managing militia weaponry.

Article 43. Disciplinary actions shall be taken in accordance with the law for any of the following actions. If the actions are offenses against public order, penalties shall be meted out in accordance with relevant provisions in regulations governing the punishment of offenses against public order. If the actions constitute crimes, criminal responsibility shall be determined in accordance with the law.

(1) Illegally possessing, stealing, plundering, and damaging militia weaponry, or using militia weaponry to carry out illegal activities;

(2) Producing, assembling, receiving, or purchasing militia weaponry without authorization, or misappropriating, leasing, exchanging, presenting as gifts, selling, carrying, keeping, using, and borrowing militia weaponry without authorization;

(3) Misappropriating militia equipment management and maintenance fees, and militia weaponry maintenance materials or spare parts;

(4) Affecting the use of militia weaponry because such weaponry has been lost, stolen, damaged, rusted, mildewed, or rotted through negligence of duty;

(5) Causing adverse consequences as a result of violating rules on operating and using militia weaponry;

(6) Causing the loss of militia weaponry by not taking actions to stop efforts to plunder, steal, or damage militia weaponry, or by not taking actions to protect militia weaponry that is being plundered, stolen, or damaged;

(7) Covering up accidents involving militia weaponry; and

(8) Other actions that violate these regulations.

Article 44. Apart from taking disciplinary actions and meting out administrative penalties against the persons in charge and the individuals directly at fault, or investigating these people in accordance with the law to determine their criminal responsibility, a circular shall be issued to criticize a unit that commits any of the acts mentioned in Article 43 of these regulations, and a deadline shall be set for the unit to take corrective measures.

Chapter VII Supplementary Provisions

Article 45. The General Staff Department shall formulate, in accordance with these regulations, procedures for managing the militia's communications, engineering, and antichemical warfare equipment.

Provincial, autonomous regional, and municipal people's governments and military districts may formulate

specific local procedures for managing militia weaponry in accordance with these regulations.

Article 46. These regulations shall take effect on the day of their promulgation.

General

Beijing Provides Loans To Help Rural Disabled
OW2006140695 Beijing XINHUA in English
1336 GMT 20 Jun 95

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — China has provided 150 million yuan to rehabilitate and help rural disabled people escape poverty since 1992.

China's rural areas have about 38 million disabled people, and half of them are living in poverty. The special loans, which consisted of 100 million yuan in state bank loans and 50 million yuan provided by local governments, were issued to welfare enterprises which take care of the disabled.

In the past three years, the effort has helped 427 counties upgrade and establish more than 600 enterprises which produced an output value of 1.3 billion yuan.

Some 50,000 disabled people have been employed in rural enterprises, and 500,000 have received technical training.

As a result, more than 200,000 disabled people have said good-bye to poverty with 26,000 now leading a better-off life.

The Agricultural Development Bank of China is now responsible for the distribution of the special loans for the rural disabled, and along with the China Disabled Persons' Federation.

Six Cities Create Plan To Aid Unemployed
HK2106074895 Hong Kong HONGKONG
STANDARD in English 21 Jun 95 p 6

[By Amy Liu]

[FBIS Transcribed Text] Six cities in China have already adopted measures to provide social aid to the unemployed in preparation for the enforcement of the Law of Bankruptcy for firms which have lost massive amounts of money.

Shanghai, Qingtao, Xiamen, Fuzhou, Wuxi and Haikou have already created a pilot scheme which provides for the unemployed or those in severe poverty to maintain basic living standards.

Those cities have introduced the relief regulations for the needy before the Law of Social Relief has been completed, Jiang Chuangao, an official in the Civil Affairs Ministry responsible for social relief, said.

"The Law of Social Relief has just completed its initial draft but it will take time to consult the experts from the legal and labour departments," Mr Jiang told The Hongkong Standard.

Mr Jiang said the law will be ready by 1997.

The law will set guidelines to help those in need of social assistance, Mr Jiang said.

"Traditionally, social relief targets handicapped, orphans or the aged but now such assistance is extended to help the unemployed," Mr Jiang said.

Unemployed people will be given aid of 96-150 yuan (HK\$90-140) monthly, which is for the maintenance of basic expenditure for the time they are unemployed.

"The amount will be adjusted according to the inflation rate in cities and their living standards," Mr Jiang said.

He added those who need the relief fund should apply through grassroots government organisations.

Unemployment is expected to increase following China's program to restructure 50 per cent of unprofitable state firms.

The unemployment rate in the cities of Shanghai, Hangzhou, Nanjing has reached two to three per cent, according to official figures.

In booming Shanghai, 150,000 workers are unemployed, while 30,000 are jobless in Qingtao.

Yang Zichun, an official from the Labour Bureau in Shanghai said the relief fund is collected from enterprises, which are required to contribute between 0.5 to one per cent of their salary bill.

Mr Yang added the government in Shanghai delivered more than 100 million yuan to unemployed workers last year.

While in Qingtao, 50 per cent of the unemployed workers have been reemployed after attending training courses.

Some Western academics said China's urban unemployed will rise to 150 million if 10 per cent of the surplus employees in state-owned enterprises are laid off.

However, China's official newspaper predicts that bankruptcies would help swell the ranks of urban unemployed to 21.3 million by the year 2000.

Personal Computers Become Popular in Major Cities

OW2106091695 Beijing XINHUA in English
0817 GMT 21 Jun 95

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — Personal computers are becoming a new popular item in major cities in China, according to a nationwide survey of the personal computer market.

The survey, conducted jointly by the Information Center of the Ministry of the Electronics Industry and the journal "Computer World", shows that personal computers find extensive use in office automation, data processing, enterprise management and scientific research.

Nearly 85 percent of the surveyed government offices, industrial and commercial enterprises, research institutes, primary and middle schools, universities and colleges, financial institutions, military units and average households have bought personal computers.

About 79 percent of the surveyed units use personal computers every day, and 84 percent of computer operators said they were satisfied with their machines.

Roughly 95 percent of the surveyed units indicated the intention of buying new personal computers over the next three years.

Nearly 66 percent of the 8,210 families surveyed all over the country said that they will buy such computers over the next three years for work, education of their children or management of household chores.

Most consumers said that they can afford personal computers priced between 3,000 yuan and 7,000 yuan.

Three of the eight most popular brands are Chinese-built personal computers, according to the survey.

***Article Notes Bankruptcy, Unemployment Connection**

95CE0422A Beijing GUANLI SHIJIE
(MANAGEMENT WORLD) in Chinese 24 Mar 95
No 2, pp 186-188

[Article by Ning Xi (1377 3305) and Zhang Tai (1728 3141), State Council Research Office: "Enterprise Bankruptcy and the Capacity of An Unemployment Insurance System"]

[FBIS Translated Text] In the wake of tremendous progress made in our country's macroeconomic management systems, it has become the focus of reforms for the next stage to strengthen the dynamics of reforming state-owned enterprises, heighten the vitality of the state-owned economy, and perfect the microeconomic base of a socialist market economic system. The actual strength of our country's social security system, unemployment insurance in particular, concerns the choice of dynamics and steps of enterprise reform. Recently, we conducted a special investigation on the issue of unemployment insurance. Our focus was to understand the capacity of the unemployment insurance system and to what extent it can be adapted to continued enterprise reform.

I. On Enterprise Bankruptcy

Since the promulgation of a bankruptcy law in 1986, more than 700 state-owned enterprise bankruptcy cases have been handled in China's courts of law. The annual average has been about 100 cases. As enterprise reform continues, the number of bankrupt state-owned enterprises tends to rise. In 1993, courts handled 269 cases of state-owned enterprise bankruptcy, up 107 percent over the year before; this was the largest number of state-owned enterprise bankruptcies in any year. According to rough calculations of relevant information, among all the 470,000 state-owned enterprises that participate in unemployment insurance at the present time, approximately 20 percent of them have encountered losses for a long time. Of these, about one third, or 30,000, have met the conditions of bankruptcy. Due to economic structural factors, some sectors encounter serious losses and have an even higher proportion of enterprise bankruptcy conditions. We should appropriately strengthen pilot programs in enterprise bankruptcy, and on the premise of having perfected legislation and regulations, actively and safely allow state-owned enterprises that have encountered losses for a long time, have no hope of turning around, and whose assets can even offset debts to go into bankruptcy. This would be conducive to lessening the waste of various economic resources, such as human resources, materials, and finances, and to the rational disposition of social resources, structural perfection of state-owned enterprises, and enhancement of the overall quality and competitiveness of enterprises.

The life or death of enterprises, their success or failure, is one means by which market mechanisms function. Abroad the number of enterprises going bankrupt annually makes up one percent of the total number of enterprises. In China the figure is less than one percent. At present, in addition to the issue of debts, whether we can smoothly proceed with enterprise bankruptcy rests on one crucial factor, which is the placement of cadres and staff of the bankrupt enterprises. Furthermore, when a market economy operates normally and the labor force enters the market to freely seek employment, it is impossible not to have unemployment, that is, to have 100 percent employment. In society there is always a portion of the population that is in a state of unemployment or waiting to be employed. Therefore, society needs to provide a security network which ensures the basic life requirements of such people and improves their chances for reemployment. This requires the perfection of the social security system, the unemployment insurance system in particular.

II. On Laying Off Staff

According to the estimates of departments concerned, surplus labor makes up about 20 percent of the total staff numbers of China's enterprises. If state-owned enterprises have 100 million staff members, surplus labor amounts to 20 million. Because China's social security level is still low, housing, medical care, pensions, and other benefits of staff members have to be solved by enterprises. Once staff members are separated from enterprises, the first difficulty they run into is where their living support comes from. Therefore, surplus workers are not willing to and in fact cannot leave enterprises. Enterprises dare not push surplus labor to out into society when safe solutions to this problem are not available. State-owned enterprises are overstaffed, which adds to the burden of enterprises and lessens their competitiveness. For instance, if one staff member gets an average of 3,000 yuan a year, salary alone costs state-owned enterprises an additional 60 billion yuan a year. This is also an important reason why state-owned enterprises have low efficiency.

In 1993, according to pertinent state documents, various localities were allowed to lay off surplus labor amounting to 0.5 to 1 percent of total staff numbers and in an unemployment manner push them out into society for placement. This policy was not conscientiously carried out in most localities. The major reason was that the local governments were concerned about protecting social stability and found it hard to make up their minds. We found in our investigation that social placement of enterprise surplus labor is far more difficult than unemployment placement of bankrupt enterprise staff members. This has had a great impact on the psychology of staff members, led to more social contradictions, and created a direct opposition between the managers and staff. At the same time, the promotional effect and impact on the transformation of enterprise management mechanism exercised by laying off staff is also less than enterprise bankruptcy.

In view of this situation, at present, unemployment relief funds should mainly be used for the placement of staff members of bankrupt enterprises. Surplus labor should continue to rely on their own abilities and be digested through developing tertiary industry, but should not be pushed out into society in large numbers. The small number of surplus laborers that must be socially placed mainly include three types of people: 1) staff that have terminated or cancelled labor contracts; 2) staff that have been dismissed, removed, or fired; and 3) staff that the state-owned enterprises have trouble placing themselves, in light of the State Council's placement regulations governing the surplus labor of the state-owned enterprises. Except for these, the scope must

not be expanded at will, or unemployment insurance systems will not be able to bear the burden.

III. Strengthening the Capacity of Unemployment Insurance Systems

In order to implement the labor contract system and enterprise bankruptcy law, in 1986, China started to establish an unemployment insurance system, which has developed a certain scale and foundation and possesses certain actual strength. The establishment of an unemployment insurance system has played an active role in continuing enterprise reform, maintaining social stability, and promoting economic development. By the end of 1993, the accumulated surplus of unemployment insurance funds had amounted to 4 billion yuan, of which 1.8 billion yuan were collected as unemployment insurance funds. At present throughout China more than 470,000 state-owned enterprises, or 74 million staff members participate in unemployment insurance. The number of staff that receive unemployment insurance relief is 1.03 million annually, of which 650,000 are state-owned enterprise staff. In 1994, unemployment insurance relief covered 1.8 million people nationwide and helped 1.06 million people achieve re-employment. By the end of 1994, nationwide unemployment insurance covered 95 million staff members, up 20 percent over 1993. Among the newly increased numbers, 90 percent were nonstate-owned enterprise staff members.

We estimate that unemployment insurance funds collected this year could reach about 2 billion yuan. If 80 percent of it can be used for unemployment relief, the amount will be 1.6 billion yuan. If we add 20 percent of the surplus of accumulated unemployment insurance funds, a total of 2.4 billion yuan can be used for unemployment relief in 1995. If per capita annual relief averages 1,500 yuan, this year the unemployment insurance system can bear an initially controllable total unemployment of 1 million people. According to the statistics of labor departments, at present China's unemployed enjoy a reemployment rate (the ratio between the number of the reemployed unemployed for the year and the total number of unemployed) of 50 percent. Of the 1.8 million unemployed last year, more than 900,000 will be carried over into this year. Therefore, this year 700,000 unemployed will be added to the unemployed list. Viewed from actual circumstances in recent years, the number of the unemployed of bankrupt enterprises is far greater than that of layoffs. The approximate ratio of the two is 10:1. Therefore, the newly added 700,000 unemployed can be roughly classified as 600,000 from bankrupt enterprises and 100,000 layoffs. Of course, because quite a number of unemployed staff have not enjoyed relief for one year yet, the actual unemployment

relief coverage may far exceed 1.6 million people. Due to this arrangement, the unemployment number will be greater than 1993 and 1994. This conforms with the requirement of strengthening the dynamics of reforming state-owned enterprises.

Unemployment insurance funds are the foundation of unemployment insurance. Strengthening the bearing capacity of unemployment insurance requires that sources of unemployment insurance funds be increased and potential vigorously tapped. The first thing to do is to increase income. This can be done mainly by expanding unemployment insurance coverage. Coverage should be extended to all enterprises in cities and towns, with a focus on nonstate-owned enterprises. As soon as possible, unemployment insurance should include various enterprises and staffs of all origins to strengthen its function of mutual social relief and its ability to withstand risks. The second thing to do is to reduce expenditures. This can be done mainly through optimizing the expending structures of unemployment insurance, lowering the proportion of management fees (institutional funds for unemployment insurance administration and personnel salaries) and employment placement fees (used for training the unemployed and so forth), reducing the inventory of unemployment insurance funds (including the purchase of government bonds, long-term deposits, investment, etc.), and increasing funds directly used for unemployment relief. Staff and individuals can contribute to insurance funds, although such amounts received will not be large or a significant proportion of the total. This is mainly to increase their sense of insurance.

In 1993, the nationwide average expenditure of management fees made up 30 percent of the total unemployment insurance expenditures. We believe this is rather high. According to our investigation and analysis, various localities may have different expenditure levels of management fees. It is also hard to avoid slightly high management fees at the initial stage, but the national average should not exceed 15 percent. Also, it is necessary to withdraw funds from unemployment insurance accounts for the purposes of production self-relief and training for transfer to civilian work. However, this is only a supplementary means for good work of unemployment insurance, not its major purpose. Therefore, strict control is a must. Employment training must rely on and mobilize all forces in society. Production self-relief of bankrupt enterprise employees must not rely solely on unemployment insurance funds.

IV. Some Policy Suggestions

Quickening up the pace of enterprise bankruptcy and laying off staff concerns the immediate interests of

enterprise staff and also involves many offices and institutions, such as banks, financial bureaus, and state-owned assets management departments. Because the scope of effect is extensive, strengthening leadership, overall planning, and careful operation is a must. We suggest:

1. Paying much attention to both enlivening the majority of the enterprises that are encountering losses and declaring the minority bankrupt enterprises. Judging from practice in various localities, reasons state-owned enterprises encounter losses are complex and varied. Most of the enterprises that are encountering losses can embark on a self-development road through continuing reform, transforming management mechanisms, and strengthening internal management. Whether we can declare as bankrupt a small number of enterprises that have been encountering losses for a long time and whose assets cannot even offset their debts depends upon whether the localities involved possess the following five conditions: First is the unemployment relief capacity of the locality; second is nature of the biggest creditor; at present it is a matter of the acceptability of banks; third is the level of willingness of staff in the bankrupt enterprises; fourth is the case capacity of the local courts of law; and fifth is the capacity of local governments and relevant departments to participate in clearing accounts and reorganization. If conditions are available, bankruptcy can be implemented. If conditions are unavailable, bankruptcy should be delayed for the time being. Rushing headlong into mass action is strictly forbidden.
2. Continued adherence to the policy of the digesting surplus labor mainly by enterprises themselves. When enterprises have a great deal of surplus labor, the way out at the present time is to depend mainly upon the capacity of enterprises themselves to conduct placement on the basis of developing production. Of course, in areas where conditions are available we can appropriately increase the quantity of social placement. During system transformation, state-owned enterprises will have to make some more sacrifices in stabilizing society. Various localities have summed up experiences of placing surplus labor. Some have established funds for staff members to seek employment on their own and guided others to become individually employed and to own private businesses. In some cases, on the premise that staff members are willing, they are given a lump sum of 20,000 to 50,000 yuan as compensation funds and encouraged to seek self-employment, and so forth.
3. Suiting measures to local conditions and applying different solutions. Due to the different levels of economic development and the actual strength of social security, there should be some differences in the dynamics of enterprise bankruptcy and staff lay offs. The same mea-

sures must not be applied. In developed areas the actual strength of unemployment relief funds is strong, and it is easy for staff members to find reemployment; in such places, bankruptcy can be pursued vigorously. At the same time, remunerational standards of unemployment insurance can be set higher. In backward areas the capacity to bear large numbers of unemployed is weak and there is little demand for the labor force; here, bankruptcy can be pursued at a slower pace and remunerational standards of unemployment insurance can be set lower.

4. Combining long-term objectives and immediate measures. On the one hand, we should actively work on and perfect laws and regulations governing social insurance and let China's social insurance system embark on a road of standardization and legality so we can use state laws and mandatory administrative force to guarantee implementation of unemployment insurance system. On the other hand, we should bring into full play already established unemployment insurance programs and do a good job in preparatory work for immediate unemployment insurance. Managerial work in unemployment insurance should unify people, money, and affairs. At present, it is good to have labor departments still be in charge of unemployment insurance and make no big changes for the time being in overall arrangements for the relief, training, and reemployment of the unemployed. Prudent treatment must be applied to departments and professions that are required of "self-insurance in the profession." Social security has the characteristic of mutual social relief. The greater the scope of unified fundraising, the higher the level of socialization, and the stronger the capacity to balance burdens and share risks. Therefore, we should stick to the principle of unified social fundraising for unemployment insurance funds. The provinces that have not realized provincial unified fundraising should create conditions as soon as possible to achieve them and establish state redistributing funds.

5. Strengthening propaganda and transforming concepts. Accelerating the reform of state-owned enterprise bankruptcy and laying off staff involves not only major reform measures in the field of economics, but also a thorough revolution of ideology and concepts. During the transformation of the old and new systems, it is only normal to have some contradictions and problems. As the interests of some social members may be harmed, we should employ all kinds of means of propaganda, establish a new "concept of bankruptcy" and a new "concept of employment" under a socialist market economy, and promote development of this work.

*Commentator on Credibility of Statistics
95CE0412A Beijing ZHONGGUO XINXI BAO
in Chinese 14 Apr 95 p 1

[Article by commentator: "Tell the Truth; Report the Facts"]

[FBIS Translated Text] The article that appears in today's paper titled "The Water That Cannot Be Wrung Out" merits close attention. The exaggeration and false reporting that the article reports has really become worse in recent years. Superficially, it is statistics that are exaggerated and falsely reported, but actually a work style of exaggeration that reveals institutional shortcomings lurks behind the figures. Historically, China has suffered greatly from exaggeration, and the historical roots of exaggeration have been dishonest ways of thinking and working. Therefore, the key to halting exaggeration and false reporting lies in changing the work style, further inculcating throughout society a healthy atmosphere of telling the truth and reporting the facts.

Nowadays, some government agencies and units are unable to report factually when they file reports with higher authority. In reporting on their performance, they lay it on thick in the accomplishments section, but when it comes to shortcomings and deficiencies, they either carefully avoid mentioning them or sketch them very lightly. In statistics, deception reigns. This inability to report events truthfully not only hampers higher authority's understanding of the true situation, thereby delaying opportunities to solve problems, but also abets the unhealthy practice of deception. Statistics are termed "barometers" for economic work. The State Statistical Bureau relies on science, technology, and the legal system to eliminate the water from the statistics of some agencies. It employs scientific national economy systems and random sampling data in an effort to insure that national statistics are largely accurate so that the "barometer" reflects correctly the overall trend of economic operations. However, macroeconomic statistics must inevitably be the basis and the foundation for macroeconomic statistics. Continued exaggeration and falsification of reporting at the grass-roots level is bound to interfere with the accuracy of the "barometer," thereby harming national economic decision making. Therefore, action must be taken at the grass-roots level to halt this exaggeration at once. It cannot be allowed to continue and spread.

Since the beginning of reform and the opening to the outside world, our party has stressed the need to proceed from reality and to seek truth in facts. The greatest contribution of the Third Plenary Session of the 11th CPC Central Committee was to re-establish the ideological

line of seeking truth in facts. So why does exaggeration and false reporting continue even now? Why does the unwillingness to report situations honestly still exist? We feel there are two main reasons: One is some cracks between the new and the old systems during the period of changeover that provide opportunities for exaggeration and false reporting. Examples include a serious lag in statistical laws and regulations, and a hiatus between tax revenues and output value that give rise to unbridled bragging and bragging about not paying taxes. Second, reform in some fields lags greatly behind economic system reform. Examples may be found in the personnel system and the cadre appointment and dismissal system, which are not consistent with the socialist market economy system. In economic work, the legal system is not yet in very good shape. The rule of people rather than the rule of law is commonplace. Thus, curious phenomena occur such as "cadres producing statistics, and statistics also producing cadres," "boasting about getting bonuses," "bragging about profits," etc. In some places, the "number one" can make preposterous promises such as "the township head that makes 100 million yuan of output value can enjoy the same benefits as a county deputy magistrate." Thus, it is evident that curing at its source the problem of exaggeration and false reporting requires intensification of system reform to remove completely the soil of the old system on which exaggeration and false reporting depends.

Economic system reform and modernization have entered a critical stage. In this new situation, numerous complex situations and problems never previously encountered may appear in endless succession. More than ever, this requires telling the truth and reporting the facts. One has to realize that in China with its huge population, vast land area, special characteristics and unique conditions in different parts of the land, nothing can be done with arbitrary uniformity. When inaugurating reform measures and carrying out economic construction plans, it is necessary to proceed from realities and to sedulously avoid mindless rivalry and handling problems in a confused way. On matters such as production speed, enterprise reform, and the development of township and town enterprises, in particular, much less can every jurisdiction be forced into a single mold or be required to use a single method or apply a single norm. Instead, plans and norms must be drawn up realistically to suit local circumstances, individual conditions, and the overall spirit and principles of the central authorities applied in conjunction with realities.

Modernization requires quantified standards. Statistics are important to every leading cadre. We must not go from one extreme to the other because of exaggerations and false reports, abandoning leading cadres' need for

quantification. What we need is solid figures and scientific quantification standards. We positively cannot permit adulteration. Issuing unrealistic mobilization slogans, exerting pressure on lower levels, or even hinting to or applying pressure to lower levels to falsify statistics is not only corruption, but serious corruption. This is because exaggeration and false reporting not only hurts oneself, but also causes untold damage to the country and the people. Recently, the Central Discipline Committee and the Ministry of Supervision decided to make exaggeration and false reporting a major component of the fight against corruption. Henceforth, those who engage in exaggeration and false reporting will not only not share in benefits, but will be severely punished. Some economic control agencies, including statistical units, will also steadily perfect laws and regulations to increase economic punishments for those who exaggerate and report falsely. The broadcast media will also marshal public opinion against exaggeration and falsification, exposing it constantly. People in all walks of life will oppose exaggeration with one voice, and seek jointly to establish an atmosphere of telling the truth and reporting the facts. In this way, our reforms can move ahead smoothly in a finer environment, and the national economy can develop more healthily and more rapidly.

Finance & Banking

Zhu Rongji on Improving Banking Operations

OW2106091395 Beijing XINHUA Domestic Service
in Chinese 1414 GMT 20 Jun 95

[By RENMIN RIBAO reporter Shi Mingshen (2457 2494 1957) and XINHUA reporter Ding Jianming (0002 1017 6900)]

[FBIS Translated Text] Beijing, 20 Jun (XINHUA) — Speaking at a national conference on banking operations and management that concluded recently, Zhu Rongji, State Council vice premier and People's Bank of China president, said: Our country has turned in a good economic performance since the beginning of this year, and the national economy is continuing toward the goal of macroeconomic regulation and control. The vast numbers of cadres, workers, and staff members in the banking sector have earnestly implemented the principles and policies formulated by the CPC Central Committee and the State Council, thus playing an important role in promoting reform, supporting development, and keeping the overall economic situation stable. Banking personnel are a sound contingent that subordinates itself to the overall situation and implements central policies.

Zhu Rongji said: Although current banking operations are basically stable, the total credit volume in society is too large. For this reason, we still need to implement

moderately tight monetary policy to ensure that this year's prices will decline noticeably. The banking sector must control this year's credit scale within the planned limits set early this year and firmly curtail money supply. In particular, it should not set a precedent in expanding the fixed-asset credit scale. While it should provide loans for use as circulating funds that are really needed for the production of marketable goods capable of yielding good returns, it is not allowed to support the production of oversupplied and unmarketable goods. It should provide funds in a timely fashion for purchases of agricultural and sideline products during the summer, and ensure that no IOU's will be issued. Moreover, it must strictly prohibit the diversion of such funds to other purposes.

Zhu Rongji noted: Our country's banking industry has developed in the course of reform to become the main funding channel for our country's economic development. Current major problems include a sizable proportion of overdue loans, slow capital turnover, and poor operating returns. In deepening reform, therefore, all banks should shift their focus to improving operations, management, and efficiency in fund utilization. We should develop various specialized banks into commercial banks of advanced international operational and management standards at the earliest possible date.

Zhu Rongji said: To improve the operational and management standards of our country's banking industry, we must further improve and deepen reform of the banking system. First, we should do a good job of implementing the "Law on the People's Bank of China." We should give full rein to the People's Bank of China's role in independently implementing monetary policy and in supervising and managing financial institutions under the State Council's leadership. Second, we should reform state specialized banks into state-owned commercial banks in accordance with the requirements of the "Law on Commercial Banks." The head offices of banks should allocate funds under unified plans to their branches, and should review and approve major spending items. We should gradually merge overlapping administrative bodies set up by the same bank in the same area. Third, we should set up some joint-stock commercial banks to encourage interbank competition. We must turn urban credit cooperatives into financial institutions of a genuinely cooperative nature. Through consolidation, we may gradually reorganize credit cooperatives, which have lost their cooperative nature and become de facto commercial banks, into urban cooperative banks of the joint-stock type. Fourth, the banking industry should be operated according to different lines of business. State specialized banks should completely sever their ties with their affiliated trust investment com-

panies. Trust investment companies wholly funded by banks should be abolished, and their assets and liabilities should be incorporated into the banks. Banks should gradually transfer their shares in jointly funded trust investment companies.

Zhu Rongji said: To improve the operational and management standards of our country's banking industry, commercial banks must uphold the operational mechanism by which they "operate independently, undertake risks on their own, assume responsibility for their own profits and losses, and exercise self-restraint." No units or individuals may interfere with banks' conduct of their business in accordance with the law. Banks should firmly resist being illegally forced to provide loans or allocate funds. Meanwhile, they should constantly improve their service, enforce internal discipline, and accommodate their customers' interests and reflect enterprises' concerns in everything they do. Commercial banks should work hard to improve profitability through the implementation of financial laws and regulations, and the improvement of liquidity and safety in fund utilization. We should earnestly evaluate banks' fulfillment of their profit plans. Zhu Rongji emphasized: State specialized banks that are currently losing money should be instructed to eliminate losses within a specified period. Those that have been in the red for one year should be given "yellow-sign" warnings; those that have been in the red for two years should be criticized through the issuance of relevant circulars; and the presidents of those that have been in the red for three consecutive years should "relinquish their post in favor of better qualified people." Banks should conscientiously institute and improve internal preventive and control mechanisms; do a better job of "preventing three things and ensuring one thing"; and firmly prevent and crack down hard on corruption, theft, and fraud. Banks at all levels should pay attention to training personnel and to selecting and training a number of young cadres for important posts. Even comrades who have worked in the banking sector for many years should pay attention to updating their knowledge, especially to acquiring international financial knowledge. It is not only the banks that are responsible for improving their operational and management standards and the quality of their credit assets; governments at all levels and relevant departments should also support and cooperate with this effort.

In closing, Zhu Rongji urged cadres, workers, and staff members in the banking industry to safeguard overall interests and take the lead in implementing CPC Central Committee and State Council provisions on controlling fixed-asset investment and inflation. He announced: From now on, approval will be withheld on all applications for building new bank premises; the

head offices of banks should review the premises that have been approved and are under construction.

The national conference on banking operations and management was held in Beijing from 15 to 19 June. The conference's main topics were implementing the "Law on the People's Bank of China" and the "Law on Commercial Banks" and improving operations, management, and efficiency in fund utilization. Dai Xianglong, People's Bank of China vice president, delivered a report entitled: "Deepen Reform, Exercise Strict Management, and Improve the Overall Operational and Management Standards of Our Country's Banking Industry." Comrades in charge of the Finance Industry, the State Economic and Trade Commission, the Auditing Administration, the State Administration of State Property, and various specialized banks spoke during the conference, outlining requirements and making suggestions for improving the operational and management standards of our country's banking industry.

Further on Banking Conference

*OW2006152095 Beijing XINHUA in English
1424 GMT 20 Jun 95*

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — Chinese Vice-Premier Zhu Rongji has urged the country's banks to get more expertise in management and to increase financial returns while carrying out financial reforms.

He called also for a halt to any new building of banks.

Zhu, who is also governor of the People's Bank of China, made these remarks at a national banking conference, which opened June 15 and ended Monday.

The top Chinese banker cited the high rate of overdue loans, slow circulation of funds, and low yields, as the main problems Chinese banks face.

He noted that the financial sector has become the main support of economic progress, and that specialised banks are expected to be converted to commercial banks using international practices as soon as possible.

The current financial system must be reformed and perfected, Zhu said, explaining that first of all, the law of the People's Bank of China must be implemented to make full use of the central bank's independent role in monetary policy and supervising the financial sector.

Second, Zhu went on to say, the state's specialised banks should be changed to commercial ones in accordance with the commercial banking law, which is expected to take effect July 1.

Third, more stock-issuing commercial banks should come into being in an effort to increase competition among banks, he added.

No work unit or individual should interfere in the legal workings of the banks, Zhu said, adding that banks should resist pressure for mandatory loans or apportionment of funds.

Zhu asked that banks try to be more profitable, and set a deadline for those that are money-losers to begin to show a profit, and at the same time, urged banks to select more young professionals to fill important positions, and encourage older employees to update their knowledge.

Describing China's overall economic situation as good, Zhu said that the current financial situation is stable, but the total pool of money for credit is too large.

Thus, he went on, the banks should continue their relatively tight policy to ensure a marked decrease in prices this year.

Zhu urged the banking business to control the number of loans in accordance with the state plan worked out early this year, and emphasized that loans on fixed assets should not be expanded.

However, floating loan can be made to well-managed profitable companies, but not to those whose products are not marketable, he said.

Zhu also urged early monetary allocations for the purchase of agricultural side-line produce this summer, pointing out that this money cannot be used for other purposes.

Commercialization of Banks Expected by Year 2,000

*OW2006140495 Beijing XINHUA in English
1323 GMT 20 Jun 95*

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — China's specialised banks will become commercial entities by the turn of the century, according to a senior Chinese bank official.

The first commercial banking law, which was approved last month, will help facilitate the transformation process, according to Chen Yuan, vice-governor of the People's Bank of China, the central bank, at a press conference here today.

He noted that the law shall take effect on and after July 1st, but it will take arduous efforts to fulfil the transformation.

The specialised banks, namely the Commercial and Industrial Bank, the People's Construction Bank, the

Agricultural Bank and the Bank of China, constitute the mainstay of the country's banking system.

Though they are liberated from government mandatory loan burdens thanks to the establishment of three policy-lending banks last year, they still have to make loans to state enterprises, both efficient or inefficient ones alike, said Chen.

"With the deepening of financial reforms and the building of merger and bankruptcy methods, the specialised banks will gradually develop into commercial entities operating on internationally- accepted practices," said Chen.

He said these banks are now taking steps to improve service and management, including reforming the accounting system, risk-prevention methods, and credit control mechanisms.

Chen admitted that Chinese banks have problems with their credit due to "historic reasons". However, overdue loans make up the bulk of the "problem loans", which account for about 20 percent of the total outstanding loans of Chinese banks.

"Those loans can still be retrieved as they are still generating profits for enterprises and paying bank interest rates," Chen said, adding, "only 3 percent of the loans are bad ones which cannot be recovered."

A shortage of working capital is the main cause for the overdue loans, Chen explained, and said that next year the central bank will raise the banks' reserve ratio against bad loans to one percent from the present 0.8 percent. "The banks will have about 20 to 30 billion yuan every year available to gradually write off the bad debts."

The senior bank official said that in the absence of open market operation and a market-regulated interest system, the central bank could not possibly abandon the use of a credit ceiling and adopt asset-liability ratio management as a tool to control credit and money supply in the immediate future.

But the central bank will use more indirect tools, such as buying and trading of state bonds, or discounting and rediscounting commercial bills.

He said that 35 cities will set up urban credit corporative banks on a trial basis to courage competition and provide credit to small and medium-sized enterprises, as well as to private businesses that have difficulty obtaining loans from large state banks.

*Economist Notes 1994, 1995 Financial Reforms

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[ECONOMIC DYNAMICS] in Chinese 18 Mar 95
No 3, pp 12-16

[Article by He Dexu (0149 1795 2485), Finance Institute, Chinese Academy of Social Sciences: "More Progress in Financial Reform Expected in 1995"]

[FBIS Translated Text] The year 1994 has come and gone. Financial reform is a key battle in the struggle for economic reform in China. However, we did not achieve the kind of breakthroughs we anticipated in financial reform in 1994. It is worth our while to mull over and review the reasons for the lack of breakthroughs. This is the only way to quicken the pace of financial reform and carry it out at a deeper level in 1995.

I. Financial Reform Got Under Way in 1994 With a Clear Sense of What Procedures Should Be and a Clear Direction.

In years past, financial reform took place without any clear objectives or a clear direction. Financial reform in 1994, however, was guided by a clear blueprint from the beginning. The "Decision" adopted by the Third Plenum of the 14th CPC Central Committee, which met in late 1993, sketched in detail a number of important reform blueprints, including one for financial reform. According to the general idea in the "Decision," these were the specific procedures for and main substance of financial reform in 1994: 1) Set up a powerful regulatory and control system for the central bank. The thrust was to turn the People's Bank of China into a bona fide central bank that genuinely fulfills its duties and responsibilities of formulating and implementing a monetary policy, maintaining currency stability, and strictly supervising and monitoring financial institutions to ensure that the financial system operates soundly, 2) Set up policy-oriented banks. Separate policy-oriented banks from commercial banks to put an end to the longstanding problem of specialized state banks having to wear two hats. Institutionally sever the direct links between policy-based loans and the basic currency of the central bank to ensure the central bank's initiative in regulating and controlling the basic currency. 3) Transform specialized state banks into bona fide commercial banks. After policy-oriented banking operations are hived off from them, specialized state banks should waste no time in converting themselves into state commercial banks which should operate with the mechanism of a modern commercial bank. 4) Establish a family of financial markets (money market, capital market) that is unified and open and encourages orderly competition. 5) Reform the foreign exchange control system and bring about the free convertibility of the renminbi as soon as possible. 6)

Guide the healthy and stable development of nonbank financial institutions properly. And 7) accelerate legal financial construction.

These points made up a framework for the financial system and also spelled out procedures in detail. They satisfied the requirements of the market economy and complied with its universal rules. They embodied lessons we have learned from other countries while taking conditions within China itself as the starting point, having reviewed 15 years worth of experience in reform in the nation. They constituted a coherent general reform plan, but also targeted the more glaring problems and issues in financial reform today. They reflected the urgency of grasping the opportunity and accelerating the creation of a new financial system, but were also mindful of the fact that a historical process, and an incremental one at that, was needed to perfect such a new system. Compared with the traditional financial system, this blueprint no doubt portended a brand-new structure. Armed with this blueprint, China embarked on a new round of financial reform in early 1994.

II. Major Achievements of Financial Reform in 1994

1. The functions of the People's Bank were clearly separated from those of its branches. As far as control of funds is concerned, the People's Bank has the power to issue currency, manage the basic currency, and regulate interest rates and the total amount of credit through highly centralized management. The People's Bank is authorized to make short-term loans only to the headquarters of nationwide commercial banks. The provincial branches of the People's Bank no longer have the responsibility of issuing loans and regulating the amount of credit. Below the provincial level these two responsibilities will be carried out by the various specialized banks on a nationwide basis without exception. As far as financial supervision and management is concerned, the headquarters of the People's Bank mainly supervises large financial institutions, such as large national commercial banks. It is the function of its branches at and below the provincial level to exercise routine supervision over financial institutions at the same level and to make on-site inspections of financial institutions at a lower level. After this change in functions, it may be said that as agencies of the headquarters, branches of the People's Bank have seven functions, namely, exercising supervision and management, conducting surveys and statistical analyses, regulating the money market horizontally, managing the treasury, controlling foreign exchange, transferring and allocating funds in cash, and acting as clearing banks. They are no longer to use funds on hand to intimidate financial institutions. Nor are they

to continue to run big and small financial institutions. Instead their role is akin to that of a "financial policeman." This shift is enormously useful in perfecting and strengthening macroeconomic regulation and control by the central bank and improving the services it provides for commercial banks and other financial institutions.

2. The People's Bank of China has adopted a new financial system. Under this new system, profit retention by its various branches is abolished. Also done away with is their tax system. The People's Bank, both the headquarters and its branches, has adopted an independent budget-management system. At the beginning of the year, every branch draws up its own revenue and spending plan (that is, a budget) and implements it with the approval of headquarters. At year end, the branch deducts its expenditures from its revenue to come up with a net profit or loss. Headquarters collects all these figures for joint account settlement with the Ministry of Finance. Generally speaking, the new financial system meets the requirement that the central bank set up a powerful macroeconomic system of regulation and control and is more in tune with the characteristics of a people's bank.

3. The links between budget deficits and the central bank's basic currency were severed. The Ministry of Finance can no longer overdraw its account with the central bank. When there is not enough revenue to cover expenditures, it must now close the gap by issuing state bonds. This is a normal fundraising method for the treasury and a normal way to eliminate budget deficits. This change also lays the groundwork for the push by the central bank for open market operations. As an experiment, the headquarters of the People's Bank of China has opened a central bank open market trading office and foreign exchange trading center in Shanghai, which makes it ready to carry out financial macroeconomic regulation and control as the opportunity presents itself.

4. Policy-oriented banking has been separated from commercial banking and a number of policy-oriented banks have been set up. The State Development Bank was established on 28 April. Its principal duty is to regulate the total volume of fixed assets investment at the source of funds. The China Import-Export Bank opened for business on 1 July. Its function is to provide policy-based financial support for the drive to increase exports of electrical machinery, whole plants, and other capital goods. The China Agricultural Development Bank came into existence on 19 November. Its duties are to raise policy-based credit funds for agriculture, undertake agricultural policy-oriented banking mandated by the state, and serve agriculture and rural economic development. That these three leading policy-oriented banks came into

existence and are now in business sets the stage for the transformation of state specialized banks into commercial banks.

5. A development-through-rectification strategy was adopted. The management of the regularization of the operations of the money market was intensified. It was stipulated in no uncertain terms that all financial institutions (including the branches of a number of specialized banks) may take part in seven-day inter-bank lending. Interbank lending longer than seven days, on the other hand, would be limited to legal persons as a rule. When they have plenty of funds on hand, banks which have borrowed from the People's Bank should first repay loans to the latter. They are not to make loans longer than seven days outside the system. Banks and urban credit cooperatives are prohibited from making loans to trust and investment companies or securities companies to prevent money market funds from flowing into the capital market. Restrained by these terms, the hitherto chaotic money market assumed a distinctively new look in 1994.

6. Starting on 1 January 1994, a new renminbi exchange rate system came into effect. It is a unitary system of managed floating exchange rates based on market supply and demand. The dual exchange rate system was abolished and a system of exchange settlement and sale between enterprises and banks was set up. Also created was an interbank foreign exchange market. As a result of these changes, the renminbi has become freely convertible under regular items and administrative restrictions on making overseas payments under regular items were eliminated. If the past year is any guide, the new foreign exchange system operates properly and has been notably successful. The exchange rate has held steady and even edged up a little. The foreign exchange reserves of the state have increased. Interbank trading on the foreign exchange market has been active. The successful merging of the two rates from the old dual exchange rate system may be considered the paramount achievement of financial reform in 1994.

III. Overall, Financial Reform in 1994 Has Fallen Short of Major Breakthroughs.

Despite the changes mentioned above and some successes, financial reform in China in 1994 did not produce any significant breakthroughs overall, especially when the changes are measured against what it takes to create a market economy. A number of deep-seated problems which lie at the heart of the financial system and are representative of its nature have remained intact, as mainly demonstrated in the following ways:

1. As China's central bank, the People's Bank of China has yet to be retooled in organizational and structural

terms. In particular, the plan to set up branches that cut across administrative regions is still on the back burner, which does nothing to ensure the independence and authoritativeness of the central bank, a prerequisite for macroeconomic regulation and control. Under this situation, the central bank, on the one hand, lacks the authority to formulate and implement a monetary policy independently, given the fact that it is under myriad social and economic pressures. Its ability to carry out various macroeconomic regulatory and control measures is also greatly compromised. On the other hand, the indirect tools available to the central bank to effect regulation and control, such as the reserve fund rate, the relending rate, open market operations, and the rediscount rate, exist only on paper. Even interest rates, the most effective weapon in a market economy, have not been deployed flexibly to meet the demands of a developing economy and remain hemmed in by a variety of constraints. With its drive to make interest rates market-oriented making extremely slow progress, the central bank has no choice but to continue the traditional practice of relying on scale control and other administrative means, thus severely undermining the effectiveness of macroeconomic financial regulation and control.

2. No substantial progress has been made in the conversion of state specialized banks into commercial banks. Some moves were made in 1994 to reform the specialized banks themselves. For instance, policy-oriented banking was separated from commercial banking. Centralized management within the system was strengthened, as were internal management mechanisms. Assets to liabilities ratio management was introduced. However, relative to the essential characteristics of a commercial bank as a financial institution that has decision-making authority in its operations and is accountable for its own profits and losses, these reform measures remain highly superficial and fall far short of what a bona fide commercial bank should be.

3. The regularization of the capital market, a major part of the financial market, has made very slow progress. A sharp increase in the amount of state bonds issued (already reaching 102 billion yuan) occurred in 1994, but the methods of issue have hardly been improved and a lack of diversity continues to characterize the interest rates they carry, their maturing periods, and the mix of investors. The stock market has even more problems, there being no long-term development strategy. There is a surfeit of agencies involved in its management. Speculation is rampant. Companies whose stock are traded on the market are not of high quality. The mix of stockholders is woefully unbalanced, as is the structure of the market. Intermediate organizations on the market

lack self-discipline, and so on and so forth. Delays in the maturation of the capital market work against macroeconomic regulation and control and also hinder the fundamental transformation of short-term borrowing mechanisms.

4. Financial legal construction has fallen behind badly. The much-anticipated "central bank law," "commercial bank law," "securities law," and other important laws have not yet been unveiled, depriving the discharge of its responsibilities by the central bank, the commercialization of the specialized banks, and the standardization of the financial market of an adequate legal basis.

Generally speaking, the emphasis of financial reform in 1994 was still on the reorganization and reconfiguration of financial institutions. The creation of a financial operating mechanism at a deeper level still lies in the future. Financial reform still has some way to go before it is ready to tackle fundamental changes in the macroeconomic financial regulatory and control mechanism, in the institutional development of commercial banks, and in the nurturing of the financial market.

IV. An Analysis of Underlying Causes of Slow Progress in Financial Reform in 1994 and Lessons To Be Learned From It

Perhaps we should not demand too much from the latest round of financial reform, which has gone on for just one year. Perhaps it is simply impossible for financial reform to effect fundamental change within a year. Be that as it may, it remains essential that we analyze the factors affecting progress in financial reform over the past year in hopes of gaining a few insights and learning a few lessons.

Needless to say, the very modest progress in financial reform in 1994 is related to things that have to do with the banks themselves, such as their structure and management standard. Take the extensive monopoly enjoyed by state specialized banks, for instance. Currently the four major specialized state banks employ 90 percent of all personnel in the financial industry and account for 98 percent of its business outlets, 84 percent of its assets, and 75 percent of all loans made in society at large. The division of labor among these four banks gives each of them a competitive edge in its field. Other banks and nonbank financial institutions simply cannot compete with them. The extensive monopoly of the four specialized banks enables them to enjoy relatively high monopoly profits without doing anything special in their operations or offering special services, which contributes greatly toward stifling their initiative and innovativeness in the way they do business. The bank monopoly also introduces much rigidity into the use of funds, fragmenting the financial market, which both robs the financial

system of its vitality and efficiency and renders the central bank ineffectual in macroeconomic regulation and control.

Turning to the funds management system, we still try to achieve fund management by controlling total volume. The state lays down the total amount of lending in its plan and every specialized bank must strictly abide by scale control, in effect badly overlooking the security, mobility, and appreciation of funds, and the commercial nature of specialized banks. As for the management of interest rates, they are still set through the planning process or by other administrative tools in most cases. The market mechanism for setting interest rates has neither truly taken shape nor gone into operation.

When all is said and done, what really accounts for the tardy progress in financial reform is constraints imposed on the financial system by other fields. The external environment, it may be said, offers little breathing room for financial reform. In the absence of a genuine transformation of the operating mechanism of state enterprises, for instance, specialized banks cannot convert themselves into commercial banks in a real sense. Already the assets to liabilities rate of state industrial enterprises has topped 70 percent, and 90 percent of their debts are owed to banks. Of the 2.4 trillion yuan worth of bank loans currently outstanding, at least 20 percent consists of problematic loans. (They were taken out years ago and have become practically uncollectible.) If we fail to come up with a good method to handle the losses of bank assets, which results from a deterioration in enterprise performance, it will only be wishful thinking on our part to expect specialized banks to become commercial banks.

Incomplete as the above analysis is, we do learn several lessons from it:

1. Now that financial reform has been going on for some time (that is, ever since 1979), the more straightforward and easier of the reform measures have been implemented. As reform deepens with the passage of time, the problems confronting financial reform will also multiply and become increasingly intricate. Every single step forward on the road to reform will affect every quarter in complex ways, necessitating the redistribution of interests and power among the various sectors and units. The next stage of financial reform, therefore, promises to be more difficult than anything we have seen so far. Every single piece of reform will be an uphill fight.

2. It is imperative that we take pains to ensure that financial reform coordinates and fits in with reforms in other fields. Banking lies at the very heart of the national economy. Problems in other areas of society and the economy often emerge in concentrated form in

the financial arena. This being the case, it is clearly unrealistic to think about financial reform strictly in a financial context without considering its close links to all other sectors. On the other hand, if we want to ensure that financial reform truly meshes well with external conditions, we must proceed from this reality: the coexistence between the old system and the new in China. The way financial reform ties in with other areas should be determined on a case-by-case basis; we should not try to impose a uniform solution across the board. When it comes to transforming the nature of specialized banks, for instance, we should take an orderly approach in the light of tax, fiscal, enterprise, investment, and foreign trade reforms, as well as reform in the state assets system. As for existing commercial banks which are the test sites for reform, while we should be aware of the effects of the old system, we should also realize that numerous elements of the new system are already in place and interacting with these banks and appreciate the enormous impact of the ever expanding open policy. Given these circumstances, we should allow these commercial banks to take the lead in complying with international practices to position themselves competitively so that they can hold their own against foreign commercial banks in both the domestic and the foreign financial markets. If they manage to do so, they will have a catalytic effect on reform in other areas in the financial field. When we coordinate financial reform with reforms in other fields in this customized fashion depending on the external conditions, financial reform will proceed faster and more successfully.

3. We must give top priority to the nurturing of new growth points in the financial system. In the course of financial reform, we must go out of our way to support and nurture new growth points for new mechanisms that have already come into existence even as we transform the old mechanism. For instance, full attention should be paid to the several regional shareholding commercial banks which have come into being and conditions must be created to enable them to develop further more rapidly. That way not only will we preserve the momentum of financial reform properly at a time when it is an uphill battle to reform the old system, thus continuously improving the financial climate for the development of a market economy in China, but we will also gain time for reform and make it possible to overcome difficulties by enlarging the market share of the commercial banks in the nation.

4. We need to handle relations between reform and stability cautiously to create a more relaxed economic climate for financial reform. When economic relations all around are strained, it militates against making progress in financial reform and hinders economic

reform as a whole, as well as the sustained, rapid, and healthy development of the entire economy. A case in point is 1994, when inflationary pressure prevented many planned reform measures from being launched as scheduled.

V. Prospects for Financial Reform in 1995

Although financial reform promises to get harder and harder in the future, reform deepening will not grind to a halt as a result. We are hopeful that progress can be made in financial reform in China after 1995.

1. The promulgation of a central bank law and the creation of a monetary policy commission required by that law, which will comprise representatives from the central bank and all interested government agencies as well as experts in the field, will provide the legal basis and institutional guarantee to make it possible for the People's Bank of China to carry out macroeconomic regulation and control effectively as the central bank. Moreover, the People's Bank may be reorganized. The tools of macroeconomic financial regulation and control may also be improved through reform, with more use being made of monetary policy tools characterized by indirect regulation and control, such as open market operations.
2. The transformation of specialized state banks into commercial banks will continue. There is a possibility a commercial bank law will be adopted in 1995, which would meet a most basic precondition for the standardized operations of commercial banks. For their part, specialized banks would further improve their assets-to-liabilities-ratio management and risk management and further reform their own organizational structure and internal management system. After existing nonbank financial institutions and urban credit cooperatives are rectified, we should put together urban cooperative banks, which would help expedite improvement of the entire commercial banking system. Furthermore, comprehensive commercial banks featuring a variety of shareholding systems will enjoy more growth in 1995.
3. The financial market will continue to make bold strides toward standardization and internationalization. The amount of state bonds to be issued will continue to grow. The methods of issue and the interest rates they carry will be better aligned with market principles. The mix of bond holders will become even more favorable to having the central bank conduct open market operations. The stock market will be further standardized. The B-share market will experience more rapid growth. Companies whose stock is traded on the market will make significant headway toward a modern enterprise system in accordance with the Company Law, and

their quality will improve considerably. Benefiting from its shake-up in 1994, the money market will advance steadily in the direction of standardization.

4. The opening up of China's financial market will quicken its pace. This opening, which essentially means attracting foreign-funded financial institutions and steering domestic financial institutions into world markets, is an important part of China's reform and open policy. By opening up its financial industry, China has made gratifying progress in importing funds and advanced technology and management methods from abroad, in spurring banking reform at home, in improving the business management systems used by domestic banks, and in emulating advanced international short-term lending practices and management. During the last decade and more, all specialized banks and other financial institutions in China have entered the international market with bold strides, setting up over 500 branches and business offices overseas. They have also established extensive business ties with financial institutions around the world by buying shares or obtaining a controlling stake in the such institutions and through joint banking ventures. Currently the Bank of China has 470 overseas branches all over the world. With overseas assets in excess of \$100 billion, a 10-fold increase over 1979, it now ranks among the top 10 banks in the world. Meanwhile, China has made spectacular progress in attracting overseas financial institutions. As of late September 1994, financial institutions from 13 nations and regions had set up 108 business offices in 13 Chinese cities. In addition, financial institutions from more than 30 nations and regions in the world have opened more than 300 representative offices in 18 Chinese cities, of which over 200 were the representative offices of foreign-funded banks.

China will continue to actively authorize domestic financial institutions, particularly specialized banks, to open offices overseas in accordance with a plan after tightening the examination and approval procedures. Over time, foreign-funded banks will be admitted into more and more financial services, including those in renminbi. The experiment in Shanghai aimed at opening up the insurance market to foreign-funded insurance companies will be expedited vigorously. We should also start considering opening up to foreign capital various intermediate financial operations, such as securities, trust, and investment funds. We should adopt from overseas every financial system, financial method, financial tool, and method of raising short-term funds that will help perfect China's socialist market economy in order to raise even more funds for economic construction and truly open up the financial industry across the board.

At the same time, banking being a high-risk industry, attracting foreign-funded financial institutions and open-

ing up China's financial industry have both risks and benefits. To manage the risks effectively, we must step up the monitoring of China's financial institutions overseas and set up a supervisory mechanism to exercise oversight over their operations as soon as possible. We must waste no time in perfecting a body of laws and rules to regulate foreign-funded banks and create with despatch a foreign-funded bank management body that centralizes in its hands the power to examine and approve and to supervise and manage. Special supervisory and managerial personnel should be trained. Assistance should be given to foreign-funded banks to set up a self-policing trade group as a means of intensifying the supervision and management of foreign-funded financial institutions.

The year 1995 is expected to be a more propitious one for financial reform, the terms and climate being more favorable. Financial reform in 1995 will take a big step forward by building on the achievements of reform in the preceding 16 years.

***Promulgation of People's Bank Law Announced**
95CE0355A Beijing JINRONG SHIBAO in Chinese
22 Mar 95 p 1

[Editorial: "A Glorious Page Opens in the History of Finance—Warm Congratulations on Promulgation and Implementation of the PRC Chinese People's Bank Law"]

[FBIS Translated Text] The "PRC Chinese People's Bank Law," for which people have long hoped, was discussed and approved at the third meeting of the eighth National People's Congress [NPC] to take effect on the same day. Not only was this a great event in financial circles, but also it was a great event in the economic life of China. Promulgation and implementation of the "Chinese People's Bank Law" marks a step toward the building of a legal system for Chinese finance. It opens a new chapter in the reform of China's financial system and the development of financial activities; and it is bound to give a powerful impetus to the development of the socialist market economy.

The "Chinese People's Bank Law" is the first major financial law enacted since the founding of New China; and it is also a basic law in the financial legal system. Its inauguration results from the major breakthroughs and achievements scored during more than a decade of reform and the opening to the outside world of China's economy. At the beginning of the Chinese economic system reform in 1979, Comrade Deng Xiaoping noted "the need to operate banks truly like banks." It was at that time that the drafting of the bank law got underway. In 1986, the State Council promulgated the "People's

Republic of China ad-Interim Bank Management Regulations," which prepared the way for subsequent bank legislation. These regulations also played an active role in ensuring the Chinese People's Bank leadership and administration of financial activities nationwide. However, with the development of financial activities and the intensification of financial reform, monetarization of socio-economic activity increased steadily, and the status and role of banks in the national economy became much greater. Furthermore, a financial organizational system began to take shape in which the Chinese People's Bank held the leading position, but in which state-owned commercial banks were the main players, and diverse financial institutions co-existed and coordinated the division of labor. Under these circumstances, some of the provisions of the "Interim Regulations" no longer met the needs of the new situations that developed. Specifically, the explicit call of the Third Plenary Session of the 14th Party Congress for the establishment of a socialist market economy system posed higher and more urgent requirements for financial reform, as well as for the building of a financial legal system. In accordance with market economy principles, in light of prevailing international practice, following repeated arguments, listening to the views from many quarters, and the preparation of numerous drafts, a law was finally born that can be specifically used to clarify the character and status of the Chinese People's Bank and its applicable functions and responsibilities. The times require it, and the development of a socialist market economy requires it.

The "Chinese People's Bank Law" that has just been promulgated summarizes the practical experiences of the country's financial system reform, particularly since the Chinese People's Bank was given responsibility for discharging the functions of a central bank in 1984. It also benefits from and incorporates the successful experiences of foreign central bank legislation. It is both in keeping with China's national situation; and it can interface with internationally practiced central bank laws. It holds real current significance as well as long-range historical significance for assuring that the Chinese People's Bank formulates and carries out monetary policy according to law, maintains currency stability, enhances financial oversight, perfects and strengthens the national macroeconomic regulation and control system, ensures financial reform and smooth operation of financial activities, and promotes the sustained, rapid, and healthy development of the national economy.

The "Chinese People's Bank Law" is the central bank law. For the first time, it sets forth in legal form the character, status, organizational structure, and functions of the Chinese People's Bank. It acknowledges the Chi-

nese People's Bank to be the nation's central bank, i.e., the bank of issue, the bank of banks, and the government's bank, thereby providing reliable legal support for the central bank's discharge of its functions according to law. Monetary policy is a country's main macroeconomic policy. The goals of monetary policy are the basis on which the central bank formulates monetary policy. This relates to the overall situation in the development of the financial economy. Many years of reform and opening to the outside world demonstrate that a stable currency provides the foundation for sustained, rapid and healthy development of the economy. In this regard, the "Chinese People's Bank Law" provides: The goal of monetary policy is to keep the value of the currency stable in order to promote economic growth. In order to ensure that monetary policy is carried out, the "Chinese People's Bank Law" also provides that the Chinese People's Bank shall enforce monetary policy, discharge duties and responsibilities, and conduct business according to law under leadership of the State Council without interference from local governments or other administrative organizations, social groups, or individuals. This guarantees in law that the central bank may select, as it sees fit on the basis of an analysis of the economy and the financial situation, the monetary policy tools it will apply to regulate and control the total amount of money and credit to create a good financial climate for economic development.

Enhancement of financial supervision and administration and ensuring the safety and effective operation of the financial system are two of the main functions of the Chinese People's Bank. As special enterprises for dealing in currency, the soundness of financial institutions has a very great affect on social stability and economic development. The "Chinese People's Bank Law" specifies the Chinese People's Bank responsibility for the examination and approval, the auditing and examination, and the supervision and control of financial institutions. This greatly increases the Chinese People's Bank oversight authority, thereby creating favorable conditions for the future increase in financial oversight, and in regulating the business activities of financial institutions. The "Chinese People's Bank Law" also contains specific provisions about the central bank's organizational system, about the issuance and protection of the renminbi, about the scope of business financial accounting, and legal responsibilities.

The "Chinese People's Bank Law," which was drawn up to meet the needs of the socialist market economy, provides a fine legal framework for establishing a macroeconomic financial regulation and control system centering around the central bank. Study and implementation of the "Chinese People's Bank Law" is an important

task right now. Banks at all levels must put it on their agenda of important things to do. They must enhance their understanding of the financial legal system, and ensure that all central bank decrees are carried out. They must widely publicize the "Chinese People's Bank Law" through various means to all sectors of society, particularly to local party, government, and economic entities, and to win the support of all quarters. They must use study and implementation of the "Chinese People's Bank Law" to ensure that these are laws to abide by, that the laws are strictly observed, that the laws are strictly enforced, and that violations of the law will be punished, thereby making a new contribution to financial system reform, and to supporting development of the national economy.

Foreign Trade & Investment Foreign Exchange Market To Open to Joint Ventures

OW2006114795 Beijing XINHUA in English
0937 GMT 20 Jun 95

[FBIS Transcribed Text] Beijing, June 20 (XINHUA) — Foreign-funded firms in China will soon be given equal status with domestic ones in trading foreign exchanges at the national inter-bank market, according to a senior central bank official.

"We will soon put into place the plan to incorporate foreign-funded companies into the foreign exchange settlement and surrender system," said Chen Yuan, vice-governor of the People's Bank of China, at a press conference on the promulgation of the country's first Commercial Banking Law held here today.

However, once included in the inter-bank foreign exchange trade system, the foreign-funded ventures will not have to surrender their hard currency earnings to the designated banks as their domestic counterparts do.

"They can either sell foreign exchanges on a voluntary basis and get Renminbi yuan in return, or retain them on their foreign exchange bank accounts," said Chen.

These joint ventures can also buy hard currencies from the inter-bank market via designated banks, when their foreign currencies in the bank accounts fall short of the payment demand.

The attached requirement is that they produce import documents such as import contracts on such occasions, said Chen.

The Shanghai-based national foreign exchange trade system went into operation early last year, along with the unification of the two-tier foreign exchange rates. Yet the joint ventures have had to continue to trade foreign exchanges at the swap markets so far.

"The move will enable the country to establish a unified foreign exchange market and make it more standard and efficient at the same time," Chen said.

The vice central bank governor pointed out China stands at the forefront of financial opening-up among most of Asian countries. And the country also has benefited from the opening-up, as foreign financial institutions have brought into China not only advanced management methods and professional know-hows but also a lot of capital the country's modernization construction needs.

Chen admitted that currently China imposes strict conditions of assets volume on foreign banks applying for operational licenses at the domestic market.

The People's Bank of China only allows foreign banks with total capital assets no less than 20 billion US dollars to open branches in China, among other conditions. For those banks which want to set up solely-funded ventures, the asset volumes of their headquarters should be 10 billion US dollars at the minimum.

"At the initial stage of financial opening-up, we must ensure the least possible risks and high efficiency," said Chen. "We may amend the provisions and make it easier for foreign banks to gain access to China, but not right now."

Germany Provides Loan for Shelterbelt Project

OW2006014995 Beijing XINHUA in English
0129 GMT 20 Jun 95

[FBIS Transcribed Text] Wuhan, June 20 (XINHUA) — A shelterbelt project with a donation of 12 million DM from Germany has started in the Three Gorges dam construction area on the Chang Jiang River.

According to officials from the Forestry Department of Hubei Province, the project is designed to increase the afforested area in the province by 17,500 ha, and 17,800 ha in closed mountain areas in six of the local counties.

Counties to be partially flooded by the Three Gorges dam project are listed by the Chinese government as the reservoir area.

A 106-km-long forest belt will also be built and facilities to protect the environment will be built such as methane-generating pits, energy-saving kitchen ranges, and water conservation projects.

China and Germany signed an agreement late last year to finance the project with a total investment of 98.798 million yuan, including the 12 million DM provided by the German Credit Bank for Reconstruction.

Officials say the five-year project will help reduce erosion of soil and water in the area.

State Sector Reform Slowed in Face of 'Isolation'

HK2106074795 Hong Kong HONGKONG STANDARD in English 21 Jun 95 p 6

[By Wu Zhong]

[FBIS Transcribed Excerpt] Top leaders have decided to slow down the introduction of bold measures to reform the country's ailing state-owned enterprises in preparation for a new bout of international isolation.

Recently, Communist Party chief Jiang Zemin alerted senior officials to prepare for a new round of international isolation triggered by Beijing's diplomatic row with Washington over its decision to allow Taiwanese President Lee Teng-hui to visit the United States, Beijing sources said.

"We should concentrate on our own domestic affairs and handle them well," Mr Jiang allegedly said, reiterating leader Deng Xiaoping's words right after the June 4, 1989, Tiananmen crackdown when Western countries announced sanctions against China.

Despite the fact that in Beijing's judgement, the situation was quite different from the one in 1989, it expected foreign investment in China would drop sharply during the next couple of years, sources said.

This would bring more difficulties for bold measures in reforming the ailing state sector worked out last year which invited foreign investors to buy, take shares of, or form joint-ventures with, state-owned firms running at a loss.

However, due to great difficulties involved with such state firms, no foreign investor was interested last year.

The more reform-minded Sichuan provincial governor, Xiao Yang, told a news conference in March that no foreign investors came when the province auctioned about 20 state enterprises last year.

To let unsuccessful state firms declare bankruptcy has also met strong resistance from the banks which were the big creditors of these firms, sources said, adding that such firms' assets were usually less than their debts.

Only those whose assets could match their debts would eventually be allowed to declare bankruptcy, they said.

Alerted by the Western "plot" of "peaceful evolution", Beijing leaders were well aware that if they lost control, through the state sector, of the whole national economy, their political power would have been on shaky ground.

So, reform in the state sector has already become an ideological issue in China under the new international and domestic circumstances, sources said. [passage omitted]

Government Tackling Joint Ventures Problems

OW2106085995 Beijing XINHUA in English 0817 GMT 21 Jun 95

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — The Chinese government is taking special measures to help foreign-funded firms tackle problems concerning raw materials and funds, a spokesman for the State Economic and Trade Commission said here today.

While most of the foreign-funded firms are doing well, some have been facing difficulties in their management, the spokesman said.

The commission has issued a circular urging local governments to help the joint ventures as far as possible in respect of supplies of energy and raw materials, transportation, short-term loans, use of foreign exchange, and imports and exports, he said.

Local authorities must provide efficient services to foreign-funded firms so as to enhance their management and ensure their legal interests, the circular said.

Figures show that China has approved the establishment of over 200,000 foreign-funded firms to date, of which more than 100,000 have begun operation.

The spokesman revealed the fact that China will conduct a survey of joint ventures in the near future, collecting information about their management of capital, taxes, industrial relations, income distribution and foreign trade. The government will help solve problems found in the survey, he added.

China expects to expedite the technological development and productivity of foreign-funded firms by improving macro-economic controls and services, the spokesman said.

National Agencies To Handle Tourist Complaints

OW2006140795 Beijing XINHUA in English 1254 GMT 20 Jun 95

[FBIS Transcribed Text] Qingdao, June 20 (XINHUA) — Special agencies will be officially opened July 1 to handle tourist complaints and compensation in accordance with a new guarantee deposit system for travel agencies, according to a national tourism meeting held here.

The first plan of its kind in China, the system is designed to protect the interests of the growing number of tourists and to increase the quality of service of the burgeoning tourism industry, Wei Xiaoan, director of the Travel Agency & Hotel Management Department of the China National Tourism Administration (CNTA), said.

Under the scheme, all provinces, autonomous regions, municipalities, and major cities will set up these management agencies which will be under the leadership of a national office such as CNTA's.

At today's meeting, provisional rules concerning compensation for tourist complaints by travel agencies under the guarantee deposit system were passed.

According to the rules, travel agencies which cause a loss to tourists by failing to fulfill the terms of a contract, either intentionally or unintentionally should compensate the tourists.

Losses due to inferior service below state and industry standards or as a result of stopping business, being fired, bankruptcy, or merger with another agency are also to be compensated.

Under the guarantee deposit system, category one travel agencies, which are entitled to deal with overseas agencies, will have to pay 600,000 yuan in guarantee deposit.

Category two agencies who have no right to conduct business overseas but can receive overseas tourists will pay 300,000 yuan.

The guarantee deposit for travel agencies in category three, dealing with domestic clients, will pay 100,000 yuan.

Procedures for Reviewing Prices of Exports

HK2006151095 Beijing GUOJI SHANGBAO
in Chinese 2 Apr 95 p 2

[*"PRC Customs Administration's Provisional Procedures for Reviewing Prices of Exported Commodities"*]

[FBIS Translated Text] Article 1. In order to safeguard the normal order of foreign trade and export, and to prevent dumping of exports at low prices to disrupt the international market, these Procedures are formulated according to the "PRC Customs Law," the "PRC Regulations on Import and Export Tariff," and the State Council decision on allowing the Customs Administration to review prices of exports.

Article 2. Evaluation of the price of an exported commodity by a Customs department should be the sales price, that is, the deserved price of an exported commodity that is sold to a location outside the border. The deserved price of the exported commodity should comprise the commodity's production cost inside the border; a reasonable profit; and the storage, transportation, and insurance fees necessitated by foreign trade.

Article 3. The consignor of exports or its agent should declare the bona fide sale price of an exported commodity that is sold to a location outside the border.

Article 4. When the sale price of an exported commodity declared by the consignor or its agent is found by a Customs department to contradict Article 2 of these Procedures, the Customs department may give an appraisal according to the following prices:

- 1) The sale price of a same exported commodity sold to a same country or region in a same period of time.
- 2) The sale price of a similar exported commodity sold to a same country or region in a same period of time.
- 3) The price obtained by calculating the production cost; storage, transportation, and insurance fees; profit; and other miscellaneous fees of a same or similar commodity inside the border.
- 4) If a price cannot be decided by using the above methods, the Customs department may use other reasonable methods to fix a price.

Article 5. Evaluation of the price of an exported commodity by a Customs department is carried out when a consignor or its agent declares the export to the Customs department. For those who export goods in the course of importing materials for the processing trade, the operational units, when submitting contracts to their supervisory Customs departments for recording purposes, should declare the sales price of the finished product in advance, then the Customs department is to conduct a price appraisal when the commodity is exported. Regarding goods that are transferred to another Customs department during transportation for export purposes, the Customs department in the location where the goods are exported may conduct a price appraisal when it deems necessary.

Article 6. In order to evaluate the prices of exported commodities reasonably, the Customs department, according to the "PRC Customs Law," is entitled to inspect the contracts, invoices, account books, bills, records, documents, business telegrams, and other information related to the enterprises, imports, and exports.

Article 7. When the Customs department is skeptical about the price declared by a consignor or its agent, it may ask the consignor of exports, or its agent, to provide documents and information to prove that the price is true, complete, and precise, as well as all the relevant information to reflect the relations between the buyer and seller, and the sales activities. The consignor of exports, or its agent, should provide this information according to the demand of the Customs department;

those that refuse to provide the information will not have their exports released by the Customs department.

Article 8. Regarding commodities that are exported at low prices, the Customs department will handle them according to the following distinct conditions:

1) When the declared price is lower than the price fixed by a review by the Customs department, the consignor of the exports, or its agent, should pay a guarantee fee to make up for the difference between the declared price and the price fixed by the Customs department. The Customs department then will release the cargo, and will inform the relevant chamber of import and export, as well as the state foreign exchange management department, so that they can carry out an investigation. After the investigation, if there is conclusive evidence showing that the low price is used to evade tariffs and earn foreign exchange, the foreign exchange department can handle the case according to the "Detailed Regulations on Giving Punishment for Violation of Foreign Exchange Management," and the Customs department, according to the "Detailed Regulations on Giving Administrative Punishment Stipulated by PRC Customs Law," can impose a fine that is less than the value of the cargo.

2) When the declared price of an exported commodity is markedly lower than that fixed by a review by the Customs department, when its export will jeopardize the products of other countries, and when the Customs department's investigation shows that the behavior constitutes fault and deception in price declaration, the Customs department may detain the goods and prohibit its export, and may impose a fine that is less than the value of the cargo according to the "Detailed Regulations on Giving Administrative Punishment Stipulated by PRC Customs Law." At the same time, it will inform the relevant chamber of import and export, as well as the state foreign exchange management department.

Article 9. Regarding units and individuals that report and reveal dumping at low prices, after verification, the Customs department will give them monetary rewards according to regulations, and preserve their secret.

Article 10. The General Administration of Customs is to interpret these Procedures.

Article 11. These Procedures are implemented as from 1 February 1995.

Fujian Seeks Foreign Investment in Power Projects

OW2106082595 Beijing XINHUA in English
0801 GMT 21 Jun 95

[FBIS Transcribed Text] Fuzhou, June 21 (XINHUA) — Fujian Province in east China is eagerly seeking further participation of foreign investment in the construc-

tion of 14 power projects which will need a total input of three billion US dollars.

The projects include a thermal power plant, hydroelectric power station and tidal power station.

Upon completion, the 14 power projects will have an installed capacity of nine million kw.

According to local officials, Fujian is still short of electricity, despite having made great achievements in building local power stations in recent years.

Statistics show that by the end of last year the installed power capacity of the province had reached 1.6 million kw and its annual generating output was as high as 5.2 billion kwh. It now has the biggest number of electrified counties in China.

However, with the rapid growth of the market economy, the province still faces shortages of electricity. To solve the problem, Fujian has drawn up a series of policies to encourage the construction of power projects through fund-raising, including the attraction of foreign investment.

One of the most important steps is to provide foreign investors with more preferential treatment, which has already aroused their interest.

Since last year more and more foreign entrepreneurs have invested in the province's power projects. Up till now, a total of 29.76 million US dollars in foreign funds has been used in the province's power projects.

These power projects include the Songyu Power Plant in Xiamen City, a thermal power plant in Longyan City and the Jinshan Hydro-Electric Power Station in Shanghang City.

Moreover, bidding has been completed for the country's first solely foreign-funded power enterprise — the Meizhou Bay Thermal Power Plant. The total investment in the project is expected to exceed 500 million US dollars.

NPC Copyright Law Team Inspects Hainan

HK2106023895 Haikou Hainan People's Radio Network in Mandarin 2300 GMT 8 Jun 95

[FBIS Translated Text] To inspect Hainan's "PRC Copyright Law" enforcement work, a six-member National People's Congress [NPC] Copyright Law Enforcement Inspection Team led by Zhao Dongwan, NPC Standing Committee member and NPC Education, Science, Culture, and Public Health Committee chairman, arrived in Haikou on 7 June.

On the morning of 8 June, the NPC inspection team listened in Haikou's Qiongyan Hotel to work reports

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given by comrades in charge of the Hainan Provincial People's Congress Legal Affairs Work Committee as well as the Hainan Provincial Culture, Broadcasting, and Sports Department, Copyright Bureau, and News and Publication Bureau.

Liu Xuebin, provincial party committee standing committee member, propaganda department director, and special assistant provincial governor, as well as Pan Qiongxiong and Xin Yejiang, provincial People's Congress Standing Committee vice chairmen, were present at the meeting. Liu Xuebin stated: In the last few years, the provincial party committee and government have done a lot of work in enforcing the "PRC Copyright Law" and protecting intellectual property rights and have conducted propaganda and education throughout society with gratifying results. He expressed the hope that the NPC inspection team will advance valuable views on how to better enforce the "PRC Copyright Law" after winding up inspection of Hainan. Xu Fuqun, provincial culture, broadcasting, and sports department deputy director, copyright bureau chief, and news and publication bureau chief gave a detailed account of Hainan's "PRC Copyright Law" enforcement and intellectual property rights protection work.

Yang Zhiping, provincial culture, broadcasting, and sports department director, and some other provincial departments leaders were also present at the meeting.

After listening to Hainan's work reports, Zhao Dongwan fully affirmed Hainan's measures to enforce the "PRC Copyright Law" and protect intellectual property rights.

On the afternoon of 8 June, the visiting NPC inspection team listened to work reports given by the Haikou City People's Congress, People's Government, and Haikou City's culture, public security, science and technology, and legal affairs work departments.

Chen Yuyi, provincial Party Committee deputy secretary and Haikou City CPC Committee deputy secretary, as well as Liu Xuebin and Xin Yejiang, were present at the meeting.

The visiting NPC delegation is set to inspect some newsstands and bookstores in Haikou City, Sanya City, and some other areas and then go to Tongza City to inspect nationality education work there.

On the morning of 3 June, Ruan Chongwu, provincial party committee secretary and governor, met in Haikou's Qiongyan Hotel with the visiting NPC inspection team led by Zhao Dongwan. Secretary and Governor Ruan Chongwu discussed and exchanged views with Zhao Dongwan on a series of copyright-related issues. Also present on the occasion were Liu Xuebin and Xin Yejiang.

Shanghai Boosts Foreign Trade

OW2106092495 Beijing XINHUA in English
0909 GMT 21 Jun 95

[FBIS Transcribed Text] Shanghai, June 21 (XINHUA) — Shanghai, China's largest economic center, is striving to export 10.6 billion U.S. dollars worth of goods this year, an increase of 17 percent over 1994, according to Mayor Xu Kuangdi.

The city exported 4.729 billion U.S. dollars worth of goods in the first five months of this year, up 45.78 percent over the same period of last year, and the total export volume in the first half of this year is expected to exceed 5.5 billion U.S. dollars, according to foreign trade departments.

"Shanghai's present economic operation is better than expected, and will continue in the rest of this year," the mayor said. "This is in favor of foreign trade."

The mayor acknowledged that there is a long way to go to accomplish the objective, and called on foreign trade departments to bear in mind the important position of foreign trade in the city's economy, strengthen management and pay attention to economic efficiency.

Agriculture

Wan Xueyuan Addresses CPPCC Discussion

OW2106040895 Hangzhou ZHEJIANG RIBAO
in Chinese 3 Jun 95 p 1

[ZHEJIANG RIBAO dispatch by reporter Liu Shanqing and correspondent Chen Jinshou: "Make Great Efforts To Strengthen the Foundation Role of Agriculture and Promote Agricultural Modernization"]

[FBIS Translated Text] The Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference [CPPCC] held a special-topic discussion meeting of its standing committee on 2 June. The standing committee members present suggested that great efforts be made to strengthen the role of agriculture as the foundation of economy and promote agricultural modernization.

Governor Wan Xueyuan, Vice Governor Liu Xirong, and relevant department heads of the province attended the meeting to heed opinions.

The standing committee members and some scholars said at the meeting: Recently, the province started concentrating all efforts on agriculture, particularly on grain production, and this is beginning to create an excellent situation in which the whole party is paying attention to agriculture. Because agricultural production, particularly grain production, is to a great

extent subject to the effects of nature, and our basis for further agricultural development is seriously inadequate, we must increase investment in agriculture and build a new mechanism for making diversified agricultural investment through various channels. It is necessary to increase annual agricultural funds according to law, increase the investment in agricultural fixed assets, increase the proportion of agricultural investment in the province's total investment, and increase the amount of medium- and long-term loans for agriculture to support comprehensive agricultural development. It is necessary to properly increase the agricultural development fund and ensure that the fund is used solely for agriculture. It is necessary to formulate more effective measures for industries to subsidize agriculture. We should pay attention to the development and improvement of rural cooperation fund organizations and comprehensively absorb idle funds in rural areas to help agricultural production.

On how to rely on scientific and technological progress to promote agricultural development, the attendees said: Judging from the situation of Zhejiang's agriculture, we must rely on scientific and technological progress, as one of the crucial measures, to promote agricultural development. We should make new breakthroughs in solving some important problems concerning our agricultural development, and make efforts to solve such problems as lack of an adequate system and funds for promoting agricultural scientific research and agricultural education, and lack of an adequate system for popularizing the application of agricultural science and technology. We should strive to increase the per-unit-area yield of grain crops and optimize the mix of crops. In cash crops, we should make full use of agricultural science and technology, and build new production bases for silk cocoons and cotton.

Some comrades expressed views and made suggestions on establishing a contingent of township and town personnel for popularizing the application of agricultural techniques, and on promoting agricultural mechanization in Zhejiang.

After hearing the speeches by the standing committee members and scholars, Wan Xueyuan said: The provincial CPPCC committee's special-topic discussion meeting on agriculture has put forward many excellent opinions and suggestions on Zhejiang's agricultural development. I thank you on behalf of the provincial government. He called on the provincial government and relevant departments to study and seriously implement the opinions and suggestions made by the CPPCC standing committee members and scholars; and urged the provincial CPPCC committee to continue to cooperate with the provincial government and relevant departments in con-

ducting some special-topic survey and research projects, and to put forward feasible opinions and recommendations.

Those who spoke at the meeting included Zhang Xingqian, Ye Liyang, Ye Xingxiang, Tao Lenan, Xiong Zhenmin, Chen Zongxin, Ye Yulin, Zhao Lizhi, Sun Yazhen, Zhang Hongfang and Zhao Xiaodao.

Chen Fawen, vice chairman of the provincial CPPCC committee, chaired the meeting. Other vice chairmen Wu Renyuan, Zhan Shaowen, Xue Yanzhuang, Que Duanlin, and Wang Xixuan attended the meeting; and so did Li Qing, secretary general of the provincial CPPCC committee.

Gansu Secretary, Governor on Rural Development
HK2106025395 Lanzhou Gansu People's Radio
Network in Mandarin 2300 GMT 2 Jun 95

[FBIS Translated Excerpt] Yesterday afternoon, the provincial forum on the work of building of a relatively well-off living standard in rural areas stressed that we must have strong confidence in setting a correct guiding ideology to make constant progress in the building of a relatively well-off living standard.

Provincial Party Secretary Yan Haiwang addressed the forum. He said: At present, drought is still haunting us. Faced with such a situation, irrigation areas must, under whatever circumstances, pay close attention to grain production so as to help arid areas. Various localities must make proper arrangements for the masses' living and go all out to handle problems arising from the present development of the rural economy.

Speaking on Gansu's next-phase plan on building a relatively well-off living standard in rural areas, Governor Zhang Wule said: Last year, the provincial party committee and the provincial government put forward the strategy of letting riverside areas, irrigation areas, and suburban areas take the lead in marching toward a relatively well-off living standard. After a year's implementation, those areas have worked out, perfected, and brought into effect plans, policies, and measures for the building of a relatively well-off living standard, have implemented various concrete tasks of experimentation and demonstration, have strengthened weak links in the building of a relatively well-off living standard, and have achieved gratifying results in the building of key industries and backbone projects.

Zhang Wule said: With the all-round unfolding of the building of a relatively well-off living standard, there will definitely be more and more difficulties and problems will constantly arise. The pressing matters of the moment are, first, to have a deeper understanding of the

major significance of the project of marching toward a relatively well-off living standard and to have strong confidence in it; second, to base the project on our reliance on efforts made by vast numbers of peasants; third, to vigorously and safely readjust the rural industrial structure and properly handle the relationship between grain production and the development of key industries and diversification; fourth, to always place science and technology in an important position in the development of agriculture and of the rural economy; and fifth, to insist on paying attention to material progress and spiritual progress simultaneously while attaching equal importance to both. [passage omitted]

Commission Official Urges More Insurance

OW2106064795 Beijing XINHUA in English
0631 GMT 21 Jun 95

[FBIS Transcribed Text] Beijing, June 21 (XINHUA) — A representative of the State Commission for Restructuring the Economy today called for an expansion of agricultural insurance, as one of the effective means to guarantee the implementation of the central government's agricultural development policies and deepen the reform in rural areas.

Shao Bingren, secretary general of the commission, told a national conference on agricultural insurance reform, jointly sponsored by the commission and the People's Insurance Company of China, that the business coverage of the fledgling agricultural insurance sector has shown a sharp decline since last year, which is believed to have been caused by the lack of preferential policies and monetary support, as well as the low indemnity rate under the current insurance structure.

Therefore, a thorough reform should be undertaken of the backward structure as quickly as possible, Shao noted.

Having launched the agricultural insurance service in 1982, the country has registered a cumulative income of 3.28 billion yuan from this business while paying out a total of 3.53 billion yuan in compensation.

To date, nearly 100 kinds of agricultural insurance services are available here, covering risks to cereal crops, cash crops, forests, livestock and aquatic breeding undertakings.

Regarded as an important method of realizing a smooth agricultural production and protecting the interests of farmers, agricultural insurance has brought about "remarkable social benefits", Shao commented.

The new type of insurance structure will solve the bottleneck of financial support through a "risk re-sharing

function", which is expected to be undertaken by the whole society, according to the secretary general.

Such a non-profit-oriented insurance structure aims at the improvement of Chinese farmers' living standards, he said, and the surplus of the good years will be deposited in a special fund for making up the shortfalls in bad years.

Meanwhile, the governmental input will increase, and a number of risk funds at different levels will come into existence in the near future, he said.

Cooperation among farmers will be encouraged, as well as the adjustment of local governments in the restructuring drive, added Shao.

Statistics released at the conference show that there are 40 million ha of farmland in China, and more than 200 million rural people suffer from various natural disasters every year.

Government Support for Agriculture Urged

OW2006130895 Beijing RENMIN RIBAO in Chinese
18 Apr 95 p 2

[Article by Yi Zhi (2496 0037): "Agricultural Development Needs Strong Government Support"]

[FBIS Translated Text] Since the beginning of this year agriculture has again become a hot point of attention for the whole party and the whole nation. The convening of the Central Agricultural Work Conference has further unified people's ideology. It is encouraging that there are good prospects for agricultural development. However, in view of the fact that agricultural development in our country is lagging behind and that time and again people have excitedly talked about "agriculture being the foundation of the national economy," but later quietly "squeezed out the foundation," we deeply feel that it is necessary to implement to the full the series of central policies on agricultural development and consolidate the position of agriculture as the foundation. This is a heavy task with a long way to go, which requires the efforts of various quarters.

Being Inherently Weak, Agriculture Faces the Grim Test of Market Storms

Although agriculture is the foundation and the mother of all industries, it is a weak industry. Compared with the secondary and tertiary industries it has a series of weak points: 1) Agriculture produces living materials which depend on the weather to a very large degree. 2) It is run on a small scale with low socialization, so its scale merit is also low. 3) It has a low land-use rate. When a piece of land is used for tertiary

and certain secondary industries, a tall building can be built with dozens, or even 100 floors used for various purposes. However, when the same piece of land is used for agriculture, usually only its surface is used. 4) The specifications of its products are always "consistent." Their slow renewal makes agricultural products no match for varied, ever-changing industrial products. 5) The returns tend to decrease by degree. The higher the intensive degree, the lower the returns for the funds invested to increase an equal amount of yields. In other words, the higher the yield, the greater the investment for each increase of an equal amount of yield. 6) The payoff period of the construction of infrastructure is particularly long. It is often a case of "one generation planting the trees in whose shade another generation will rest." 7) There is little elasticity in demand while products are difficult to store. It is easy to have surplus when the needs of the population in a certain area are satisfied. 8) There is great limitation to an increase of labor productivity. The increase of industrial labor productivity depends on an increase of output, as well as a decrease of investment (i.e. making the numerator large and the denominator small). However, the increase of agricultural productivity mainly depends on a decrease in the number of laborers (i.e. making the denominator small). It does not have a lot to do with an increase of output (because agricultural outputs increase much more slowly than industrial output). We often say agriculture has rather low comparative effectiveness because it has the above weak points as compared with secondary and tertiary industries.

Since the two great divisions of work in society in the past, agriculture has had these weaknesses in comparison to other industries. They will by no means disappear because of modernization. In the course of shaping and developing the market economy in the West, these agricultural weaknesses have limited the role played by the market mechanism in the agricultural sphere. So for more than 300 years, agriculture has never been an industry that attracts investment, nor is it an industry that attracts laborers, but gives them out.

During the period when our country moves toward the market economy and after the mechanism of market economy is perfected, the weaknesses of agriculture will become more obvious. The increased consumption of industrial energy such as chemical fertilizers and pesticides will result in higher costs for agricultural products when our agriculture undergoes the transformation from traditional to modern farming. During the period of restructuring it is likely that people from all parts of the country will ask peasants for help as a result of the imperfect legal system and a particular kind of morbid mentality. All these help intensify the weaknesses

of agriculture and enlarge the gap of comparative effectiveness between agriculture and the secondary and tertiary industries.

Mistake in Decisionmaking — Distribution of Resources According to Comparative Effectiveness

Since reform and opening up to the world, China's agricultural development has achieved universally acknowledged successes. However, because of the characteristic of agriculture as a weak industry and the inadequate understanding of its law of development under the condition of a market economy, some comrades in the localities and certain departments fail to rectify the tendency of distributing resources according to comparative effectiveness. Moreover, they have more or less based their decision orientation on this, bringing about some extremely unfavorable problems to the prospects of development.

1. The proportion of investment in agricultural capital construction to overall investment in capital construction keeps decreasing. Investment in agriculture can be divided into short-term and long-term investments. The former is chiefly the production cost for the year, while the latter is chiefly investment in capital construction. Since reform and opening up to the world, the former has increased remarkably while the latter tends to decrease. According to statistics, the proportion of investment in agricultural capital construction to overall investment in capital construction stood at 10.6 percent between 1953 and 1980. It decreased to 5.1 percent between 1981 to 1985. After that, in some years the absolute amount increased while the relative amount undulated. Anyhow, its proportion generally tends to fall. According to surveys by the ministries and commissions concerned, by the end of June 1994 the ongoing projects with planned investment of over 5 million yuan totaled 3.376 trillion yuan, of which investment in agricultural projects totalled only 923 million yuan, accounting for 28 percent. This is quite insufficient to increase the stamina of agricultural development and raise its comprehensive production capacity. Why does the proportion of agricultural investment keep falling? It is because a large amount of the funds that should have been used in agriculture has flowed into nonagricultural industries as a result of the low comparative effectiveness of agriculture. In some poor areas, the funds separately listed as agricultural funds in local finance are even seen as the "flesh of the Tang Monk," which can be shared by anyone.

2. The tendency that peasants are just engaged in farming without attending to land improvement is becoming more serious. Manure is needed to improve soil and cultivate seedlings. Nowadays, the use of

farmyard manure and the area of land to grow green manure have dwindled remarkably. The steady high yields of grain and cotton depend on chemical fertilizers. With the lack of manure the land will certainly become impoverished.

3. Lots of arable land has been being transferred for the use of the secondary and tertiary industries of high comparative effectiveness. By the end of 1993 there were altogether more than 2,000 development zones of all kinds with a total planned area of nearly 30 million mu (mostly arable land). They exceed the total farmland of Fujian Province (19.34 million mu) or that of Zhejiang Province (27.3 million mu) in the 1980's, and equal the total protective area of basic farmland designated in Guangdong provincial plan.

4. The internal restructuring of agriculture is over-biased toward aquaculture and the farming of crops which have higher comparative effectiveness. According to statistics, the sown area of cereal crops throughout the country has accumulatively decreased by 40 million mu in recent years. In 1994 the decreased area amounted to 14 million mu, with the sown area of cereal crops dropping below the warning line.

The party's relevant document reiterates that, to further strengthen the status of agriculture as the foundation of the national economy, it is necessary to adjust rural industrial structure provided that the output of main agricultural products such as grain and cotton grows steadily. Since reform and opening up, there have been the aforesaid series of problems in resource distribution which are not favorable to the consolidation of agriculture's status as the foundation. It stems from the fact that the government fails to keep a firm check so that some comrades, when making policy decisions on resource distribution, wittingly or unwittingly make the mistake of distributing resources simply according to the comparative effectiveness.

Grain is strategic material and a powerful weapon in the international struggle. Over-dependence on imported grain will certainly subject us to other people's control and put ourselves in a passive position politically. A famous statesman from the Middle East said with profound understanding: "No grain means no freedom." We should take a warning from this. The central government has required that governments at the provincial level shoulder the responsibility of balancing local grain and feeding their own people and institute the system under which governors are responsible for the "rice sack." It is a correct choice made in accordance with historical experience and the actual situation of our country. We should not treat it lightly.

It Is the Objective Demand of the Market Economy To Give Agriculture Firm Support

By looking around the present-day world we can see that agricultural development has state support in all developed countries, as well as newly emerging industrial countries. In the United States President Roosevelt made support for agriculture one of the important elements of his New Deal. In view of the lesson drawn from the Great Depression, he issued the agricultural readjustment law twice during his two terms of office [as published]. He stipulated a series of measures to support agriculture. An important measure in the first readjustment law was that the government should appropriate large sums of money for the purchase of various kinds of agricultural and animal products and destroy them. There were two important measures in the second readjustment law: 1) Establish "ever-normal granaries" to purchase and destroy surplus farm products in years of bumper harvest and sell heavily in years with a poor harvest; 2) set the parity prices of major farm products according to the average level of the price ratios of industrial and farm products in the five years before the war. When market prices were below the parity prices the state would make up for the price gap. Since then it has become one of the chief functions of the Agriculture Department of the U.S. Government to regulate agricultural production, purchase farm products, support prices of farm products, subsidize price gaps, issue agricultural loans, and export farm products in the interest of farm owners. Now the U.S. Government has various kinds of agricultural subsidies, the chief ones being the price subsidy, export subsidy, production restriction subsidy, fallow subsidy, disaster subsidy, and others. Each year about \$20 billion is spent on subsidizing the export price gap of agricultural products. In Japan the government makes greater efforts to support agriculture. In the farmland capital construction, 45 percent of the investment funds comes from the central government and 50 percent comes from local governments while the farmers only take up 5 percent. In the circulation fields the government often purchases farm products at prices from six to eight times higher than those in the international market and then sells them at low prices. In the early 1980's the government spent as much as 1 trillion yen annually in subsidizing rice production alone.

Since the 1950's, governments in many countries have actively pushed ahead the policy of industrialization of agriculture, besides giving direct support to agriculture. The usual way is to set up an economic organization which merges agriculture and industry or agriculture, industry, and commerce into an organic whole by combining production, processing, and sales of certain farm products, and even the manufacture and sale of the

relevant means of agricultural production. This coordinated form of industrialization is well-received because it helps to even up the comparative effectiveness differences between agriculture and secondary and tertiary industries.

The rise of capitalist industry was built on the exploitation of agriculture. After laying the initial foundation of industry through ruthless primitive accumulation, it relied on the actual unequal exchange of industrial and agricultural goods to absorb the nutrition needed for the growth of industry from the value created by agriculture under the banner of free trade. In the past decades governments in capitalist countries have supported agriculture through the switch from feeding industry and commerce with agriculture in the past to feeding agriculture with industry and commerce through government support. This historical change does not mean that the leaders of those governments favor agriculture but that it is the objective need for the development of the market economy. Nowadays, with the realization of industrialization, industry is in a dominant position in the whole economic edifice. If they let things be controlled by the "invisible hand," agriculture will decline, threatening the safety of the economic edifice. The safety of industry itself and the security of society will also be threatened. That is why developed countries as well as many other countries in the world today support agriculture through government intervention.

China has embarked on the long march toward industrialization on the basis of being poor and blank. Peasants in their hundreds of millions have made tremendous contributions to industrialization. Now the proportion between industry and agriculture in terms of output value has changed from 3 to 7 in 1949 to 7 to 3. Based on the experience of some foreign countries it is high time for our country to make the historical change from feeding industry and commerce with agriculture to feeding agriculture with industry and commerce. It is through government support for agriculture that we put this historical change into effect. As the foundation of our agriculture is weak and agriculture develops at a low speed with its own weak points, ordinary government support alone is not enough to ensure the coordinated development of agriculture with other industries during the period of restructuring. It needs strong support from the government.

Government Support Should Be Implemented in Actual Input

"People talked about the importance of agriculture. However, once they came to the matter of fund and material resources the share for agriculture was squeezed out." That was how agriculture was time and again

squeezed from its position as the foundation in the past. It was a profound lesson.

Twenty-nine years ago Comrade Mao Zedong commented on the lesson to be drawn from the long-running stagnation of the Soviet Union's agriculture, saying "You want hens to lay more eggs, but you do not feed them with rice. And you want horses to run, but you do not graze them. There are no such things in the world." Today we need to study this truth again. There are only six years before we enter the year 2000. In order to feed a population of over 1.2 billion we cannot do as we did in the past, putting large sums of funds and a lot of arable land in those hot industries that earn money quickly.

There should be a fixed fund channel and an internal mechanism to implement agricultural input. At the same time the distribution pattern of the national income should be adjusted. Some comrades in Guangdong Province suggest: The state should adjust social distribution using government power. Just like the collection of communications and energy funds the state may take a certain proportion of the profits from secondary and tertiary industries as funds for agricultural development, or collect taxes on grain consumption from society in order to raise funds for supporting agriculture. Some comrades also suggest that a certain proportion of investment in the construction of office buildings, auditoriums, and hotels, or of all investment in capital construction should be taken as funds for agricultural development. Localities have various kinds of experience in raising funds for supporting agriculture. It is necessary to form a policy decision and institute a system on the basis of summing up these experiences.

To increase agricultural input we should strive to turn the peasants and the collective economic units in rural areas into the main body in the long-term agricultural investment in addition to the investment from the government. In this respect the government's function is to apply policies in mobilizing peasant enthusiasm in increasing agricultural investment. Based on the experience gained in various localities, here are the workable ways: Firstly, the price policy. Raising the prices of farm produce will bring about a rise in the prices of other goods. However, it can make up for the difference caused by the low comparative effectiveness of agriculture and arouse the enthusiasm of the peasants to increase their input in agriculture. This is evidenced by the increase in peasant agricultural input in some places soon after the purchase price for grain was raised last year. So long as we handle the time and extent of price rise properly we can often bring this policy into play. Secondly, the policy of "companies plus peasant households" or "professional association plus peasant house-

holds." This is somewhat like integration of agriculture with industry and commerce in foreign countries, which is advantageous to evening up the comparative effectiveness between agriculture and secondary and tertiary industries. Thirdly, the policy of appropriate scale of operation based on the contract responsibility system on a household basis with remuneration linked to output. Those households whose main laborers have gone into the secondary and tertiary industries are allowed to return their contracted lands or lands that have laid idle for the expansion of appropriate scale operations. Most of the income from the paid use of land made by rural collective organizations should be used in agriculture, while a certain proportion of the profits from secondary and tertiary industries in the rural area should also be used in agriculture.

The development of agriculture will have good prospects when the whole party and whole nation come to a common understanding, attaching importance to and strengthening agriculture in actual action rather than in words and in newspaper articles. The change in Liaoning Province is a convincing example. Liaoning is China's important old base of industry. It used to import grain from other provinces annually and spent as much as 4 billion yuan a year to subsidize nonstaple food for its urban and township residents. In the mid-1980's Liaoning paid attention to the development of agriculture while continuing to grasp industry well. From 1987 to 1993, in addition to capital input, it put in 1.276 billion labor days into farmland capital construction. It totalled 6.38 billion yuan according to the daily work pay of five yuan at that time. It was 2.5 times the total labor input of the peasants and the rural collective organizations at the same period. The whole province managed to become self-sufficient in grain in 1992 by grasping farmland capital construction and agricultural development in addition to other measures. In 1993 it exported 1.75 billion kg of grain, while it was more than self-sufficient in meat, fowls, eggs, and milk. The experience of Liaoning shows that with strong government support agriculture can develop in coordination with the national economy as a whole. It is groundless to think that the quick development of secondary and tertiary industries will push agriculture aside.

Early Rice Situation Promises Good Harvest

OW2006154395 Beijing XINHUA in English
1528 GMT 20 Jun 95

[FBIS Transcribed Text] Jiujiang (Jiangxi), June 20 (XINHUA) — China's early rice growing area amounts to 8.2 million ha, an increase of more than 200,000 ha

over last year, promising a good harvest for this year, said a high-level official here today.

Addressing a meeting of agricultural officials of eight southern provinces, Liu Chengguo, vice-minister of agriculture, said that the growing area of hybrid rice and areas using new technology have also increased.

Early rice is traditionally grown in Guangdong, Hunan, Hubei, Jiangxi, Anhui, Zhejiang and Fujian provinces and the Guangxi Zhuang Autonomous Region, which contain about 90 percent of the country's total early rice growing area.

Liu attributed the expansion of the early rice growing area to more input, an increase in the price of rice and other policy measures.

However, problems still exist in early rice production, he said, explaining that lower temperatures than usual, too much rain, and inadequate sunlight have all affected the growth of early rice.

In addition, floods and worms have caused damage to 920,000 ha of early rice, "with 100,000 ha possibly yielding nothing," he said.

Early rice production usually accounts for 10 percent of the country's annual grain output. China plans to produce 455 billion kilos of grain.

*Founding of Rice Research Center Announced

95CE0438A Beijing JINGJI RIBAO in Chinese
21 May 95 p 1

[Article by Liang Yibin (2733 3085 3453): "China Founds Hybrid Rice Engineering Center. Relies on Science and Technology for Tremendous Increase in Grain Output"]

[FBIS Translated Text] After listening to a report on 16 December from hybrid rice breeding expert Yuan Longping [5913 7127 1627] on preparations to build a national hybrid rice engineering technology research center, Premier Li Peng decided on the spot to allocate 10 million yuan from the premier's fund to support this research. On 19 May, an evaluation team comprised of well-known experts and high-ranking officials of departments concerned made a final assessment of this engineering center.

Paddy rice is China's most important crop. Ever since the 1960s, a large number of scientists, of whom Yuan Longping is representative, have slaved away at breeding high-yield indica-hybrid and japonica-hybrid rice having strong growth heterosis, and they have spread its use rapidly. Today, 50 percent of the country's rice-growing area produces hybrid rice, which accounts

for 65 percent of the country's total rice output. During the past 20 years, paddy yields have increased by a cumulative 240 billion kg, which is to say a yield increase averaging 100 kg per mu. The enormous real benefits that paddy rice has given peasants cannot be matched by any other single agricultural technology. Not only has it opened the way to a tremendous rise in rice output, but it has also enriched genetic breeding theory and practice, and has aroused an intense response internationally. Thus, China has consistently held a leading position internationally in this domain.

Because of limited funds and research facilities, the speed of research and spread of new rice hybrids has slowed in recent years. In order to ensure another 100 billion jin grain increase by the end of the present century, and in order to achieve as quickly as possible, with new early rice indica and japonica hybrids having high yield heterosis, Yuan Longping proposed the establishment at Changsha in Hunan Province, of a hybrid rice engineering technology research center. This research center is to be a comprehensive agricultural engineering center in which scientific research serves as the turnkey, that performs both research and development, and in which science, technology, and the economy are integrated. The center will be a 100-mu scientific research base that will be able to supply a 150,000 mu seed production parent pair seed propagation base, and will also be able to supply a 15 million mu field crop hybrid supply base. Estimates call for a 4 billion jin per year output increase. Results of this research will radiate throughout China and abroad.

Yuan Longping said that the present emphasis of his research is on hybrid heterosis among sub-species of paddy. If this method succeeds, rice output can increase between 20 and 30 percent. Right now, he is preliminarily screening a number of promising combinations having strong heterosis, which have produced between 15 and 20 percent greater yields than control varieties in small plot experiments. Founding of the hybrid rice center will speed up this research. A breakthrough within two or three years is in prospect, with the new hybrids being applied to production during the Ninth Five-Year Plan.

Reportedly, all parties concerned have given great support to preparations for construction of the hybrid rice engineering technology research center. The 10 million yuan from the premier's fund has been allocated to the Hunan Department of Finance, and 5 million yuan in counterpart funds from Hunan Province and another 5-million-yuan loan from the State Development Bank have been provided. The State Science and Technology Commission has also said that it will allocate more

than 3 million yuan for support of this project from its scientific research funds.

*Heilongjiang Dairy Industry Prospects Viewed

*95CE0438A Harbin HEILONGJIANG RIBAO
in Chinese 26 Apr 95 pp 1, 2*

[Article by correspondents Gao Mingyi (7559 2494 5030) and He Yuming (0149 3768 2494): "Survey of the Provincial Dairy Industry"]

[FBIS Translated Excerpt] [passage omitted] Heilongjiang Province is located at the same latitude as countries having developed dairy cow industries. It has a grassland area of 113 million mu, and it has particularly favorable natural conditions for development of a dairy industry. Since the Third Plenary Session of the 11th Party Central Committee, the province has drawn up a series of preferential policies to "permit and encourage individuals to raise dairy cows," to "exchange milk for feed," and "to abolish the tax on milk sales." These have promoted development of the cattle-raising and the dairy-processing industries. As of the end of 1994, the province had 732,000 head of dairy cows in inventory, an output of 1.415 million tons of cow's milk—about one-fourth the national total—and a dairy products output of 119,000 tons, approximately one-third the national total. Currently, the province has 132 dairy plants having a daily fresh milk processing capacity of 5,000 tons. The dairy industry produces more than 100 million yuan in profits and taxes annually. Ten products have been honored as national premium products. Heilongjiang has seven of the 10 dairy product concerns in the country that have a daily fresh milk processing capacity of more than 100 tons and an annual output of more than 3,000 tons. Heilongjiang ranks first in the country in the above areas. The province has created a dairy products industry system that includes fresh milk production, dairy products processing, milking machine manufacture, scientific research and education, quality monitoring, and intelligence information. In a certain sense, Heilongjiang Province's dairy products industry is representative of the level of development of China's dairy products industry.

Faces Challenges

Despite all, the dominant position of the province's dairy industry is increasingly coming under attack from all quarters. The province is confronting challenges.

The surge into the province of large quantities of imported milk powder, and the meteoric development of the diary industry in other provinces are rattling and narrowing the markets that Heilongjiang Province

has always held. The dairy products market is beginning to change from competition among dairy products plants within the province to competition from within the country, particularly from internationally renowned dairy products concerns and financial groups. The authorities concerned report that during the past several years, China has imported several tens of thousands of tons of milk powder from abroad. These products quickly found a market in China because they keep for a long time and are packaged attractively. They have had a definite impact on the domestic milk powder market, which was already becoming saturated. Seeing the potential of the China market, some foreign dairy product enterprises and consortiums have hurried to form joint ventures with domestic dairy product concerns. Reportedly, 10 foreign dairy product firms are working with domestic concerns. Six joint ventures have been formed in Shanghai alone. Because they have brought in foreign capital, equipment, technology, varieties, and "name brands," these joint ventures have increased their competitiveness. Persons concerned point out that unless the province's dairy firms come up soon with a good plan, the domestic dairy industry will no longer be a domain in which Heilongjiang Province shines, but one in which numerous rivals contend.

Numerous Weaknesses

The challenge from the outside world cannot be ignored, and the shortcomings of the province's own dairy industry are an even greater cause for concern.

Raw milk production lags; whether to supply fresh or processed milk into dairy products is becoming an increasingly serious problem. In Heilongjiang Province, raw milk comes mostly from small individual cow raising households; consequently, the supply of fresh milk is somewhat hit or miss and inconsistent. When sales are slack, the supply of milk falls off sharply; when the market is brisk, the supply of milk cannot revive in a short time; consequently the supply of raw milk cannot meet demand, and dairy plants find themselves without sources of supply. They can only look at the potential market and sigh. Fresh milk wars rage as separate concerns seek to buy up limited supplies of milk. The battles wax and wane, damaging the normal operation of dairy product production.

Following the gradual decontrol of the fresh milk market, and before the application of effective laws and control methods, the adulteration of fresh milk had become a serious problem. This not only hurt the interests of dairy cow raising households, but also increased dairy enterprise production costs. Data obtained from a provincial Technology Supervision Bureau show a rise during 1994 in dairy enterprises

normal consumption of between 6.8 and 6.9 tons to between 7.6 and 9 tons of milk per ton of milk powder. This caused losses of tens of million yuan for dairy enterprises throughout the province.

The product mix does not make sense; it lacks diversification. More than 95 percent of the province's dairy products are milk powder, and an overwhelming majority of them are whole sweetened milk powders that require a lot of milk to produce and that have low value added. This increases the shortage of raw milk and lowers returns from dairy product processing. Many dairy plants do all possible to get into the milk powder market; thus, a situation results in which a hundred plants produce the same products, all of them alike. Very rarely does a plant develop its own products to open markets. Despite the development in recent years of quite a few formula milk powders and bean milk powders, which have improved the product mix, milk powders are still largely whole milk powders. The lack of diversity in these products and the narrowness of their consumption has limited development of the dairy industry to a certain extent. Markets are very responsive to the slightest indications, and dairy concerns are at a loss what to do. They lack the ability to respond to change.

Every concern goes its own way, and no one in charge. Most of Heilongjiang's dairy firms were founded during the Seventh Five-Year Plan. There are many of them; they are small in size; and they are splintered. The whole industry lacks unified planning and control. Numerous barriers exist among firms. Firms contend with each other in a dog-eat-dog battle over sources of supply and prices, and vie with each other in product promotion and marketing, each of them a law unto itself, the interests of each suffering damage as a result. Zhao Yaogan, general manager of the Wanshoushan Dairy Corporation in Zhaodong, said with feeling that Heilongjiang Province is a big milk powder province; nevertheless, it has yet to establish an unforgettable "name brand" that resounds throughout the country. By contrast, the Shijiazhuang Dairy Industry Conglomerate's "Weiwei Bean Milk" has become very famous throughout the country thanks to smart production, marketing, and publicity, and projection of a unified image to the outside world.

Equipment is antiquated and technical standards are backward. Firms are unable to compete. Reportedly most of the equipment of dairy firms in the province is at the level of the 1950's and 1960's. It is little mechanized or automated. In countries where the dairy industry is developed, it would have been discarded long ago. Because of insufficient government investment, production concerns are unable to update their technology and import equipment. Pounded by the market, they cannot compete effectively. Huang Liqian, director of the

science and technology department of the provincial department of light industry, said that during the 1950's and 1960's, the technical standards of the province's dairy businesses were on a par with those of foreign countries, but during the past several decades, national standards have not changed, while foreign dairy concerns have numerous internal control criteria, which are strictly enforced. Consequently, the province's milk powder falls far short in keeping properties and quick solubility. To a certain extent, this weakens its competitiveness with foreign milk powder of the same type.

Impressive Outlook

In getting where it is today, the province's dairy industry has gone through bright periods and experienced hardships, but it has not come to the end of the line. Its development potential remains very great.

Relevant data show a world average per capita milk output of 100 kg. The output of Japan, South Korea, and Taiwan is between 50 and 70 kg; for the China mainland, it is only 4.8 kg. In developed countries, dairy products consist mostly of liquid milk, cheeses, and cream. The product mix makes sense. Liquid milk holds first place in overall consumption. Among dairy products, 45 percent of the total is in the form of cheese, 23 percent is cream, and 22 percent is milk powder. Sweetened milk powder accounts for only between 5 and 6 percent of milk powder. In China, however, consumption of liquid milk is still in the beginning stages. Milk powder constitutes 75e percent of dairy products, and in Heilongjiang Province the ratio is as high as 95 percent. Cheese output nationwide totals 200 tons, while in Japan, which has only one-tenth the population of China, cheese output runs 140,000 tons per year.

The disparity amounts to potential. The Wanshoushan Dairy Corporation in Zhaodong produced the following figures. Seven tons of fresh milk are needed to process one ton of milk powder in the province today, and the profit is around 1,000 yuan. However, the profit on the processing of one ton of superhigh temperature pasteurized milk is 2,000 yuan, a markedly higher return.

Some experts note that the capacity of the domestic market for milk powder is limited, but the capacity for dairy products is extremely great. By comparison with developed countries, dairy product consumption in China is not too great, but too little. Prospects for development of the dairy industry are rather optimistic. If we meet market demand, speed up readjustment of the product make-up, and hasten reform of the mechanism, Heilongjiang Province's dominant industry is fully capable of continuing to maintain dominance.

***Heilongjiang Water Conservancy Needs Viewed**

*95CE0438C Harbin HEILONGJIANG RIBAO
in Chinese 2 May 95 p 2*

[Article by Xu Xiaohai (1776 2556 3189): "Water Conservancy Reform an Urgent Need"]

[FBIS Translated Text] "Drinking Water Out of a Large Common Pot" Sows the Seeds of Future Trouble

Water conservancy is the life blood for the development of agriculture. After more than 40 years of construction, particularly the development of the past 10 years, the provincial water conservancy facilities have changed tremendously. River embankments run for 107,600 km, reservoirs number 633, the paddy field area has zoomed to 13 million mu, and a beginning has been made in building a fairly complete flood prevention, irrigation, waterlogging elimination, and water and soil conservation system. This has played an indispensable role in increasing the overall production capacity of agriculture, in maintaining social stability, and in ensuring sufficient water for the daily lives of the people. Nevertheless, because of tardy development and a weak water conservancy project foundation, this system lags behind that of other provinces. Total water storage in the province's reservoirs comes to only 7.1 billion cubic meters, which is less than the storage capacity of a single large reservoir in Jilin or Liaoning province. Furthermore, many water conservancy projects are products of the "Great Leap Forward," or the "Learn From Dazhai" eras. A substantial number are old and in need of repair. Their usefulness is on the wane.

As the economy develops, water conservancy construction deficiencies are hobbling Heilongjiang. Many projects designed during the 1950's have yet to be built. They are just scraps of paper. The lack of flood control projects and the rampaging of flood waters are problems that strike at the very core of provincial development of agriculture.

One problem impairing the building of water conservancy in the province is the central government's scant investment in water conservancy construction. Another is the longstanding investment practice of focusing only on investment and social benefits, but providing investment without compensation, providing water free of charge, and offering free services. Thus, reform of the water conservancy management system is urgently needed.

A Fine Beginning in Diversification of Investment

Heilongjiang Province always relied on government investment to build water conservancy projects, but this

state of affairs changed markedly during the mid and late 1980's when the central government's percentage of total investment began to decline. The curtain opened on reform of the water conservancy investment system, and a new relationship of government support and the operation of water conservancy by society began to take shape. Various new methods, including level-by-level management, matching grants, discounted interest loans, awards of funds instead of investment, and cooperative shares came to be used more and more. The make-up of investment showed marked diversification. A number of major water conservancy facilities were constructed including Number 5 Reservoir, Taoshan Reservoir, Tianshangshan Reservoir, the Tongfu Dike, and the flood prevention projects in Daqing Prefecture, all thanks to the diversification of fund raising. Statistics show that during the Seventh Five-Year Plan, more than 10 coal, petroleum, urban construction, grain shipping, and transportation agencies and enterprises raised nearly 200 million yuan, which was 35 percent of the investment in water conservancy during that period. For example, the flood prevention project in Daqing prefecture was built jointly by the Petroleum Administration, a petrochemical plant, and the local government for an investment of 250 million yuan, more than 60 percent of which business concerns put up.

The "Heilong Cup" substituted money awards for investment. Its introduction of the competition stimulation mechanism gave powerful impetus to fund raising and the contribution of labor to build water conservancy projects on the part of fiscal units at all levels, collective economy organizations, and the public, which accelerated the pace of water conservancy construction in Heilongjiang Province.

The use of discounted loans brought about, in a natural way, a new awareness of the benefits to be gained from their use. Today, government discounted payment of one yuan stimulates peasant investment of between 10 and 20 yuan for the building of irrigation projects. During the past decade, a total of 500 million yuan in discounted interest loans have been issued in the province, with peasants investing more than 1.8 billion yuan. Wells have been sunk, pumping stations built, and small irrigation projects constructed at 60,000 sites, increasing the paddy field area by 10 million mu.

Despite the province's rather difficult financial straits, both the provincial CPC committee and the provincial government have paid attention to reform of the water conservancy investment system. In 1992, the province took the lead nationally on "Decisions on Various Problems in Improving Water Conservancy Construction." It collected flood prevention and public order fees, surcharges for takeovers of nonagricultural land for water

conservancy construction, city and countryside enterprise and government agency staff and worker flood prevention fees, and water resources fees (two fees and one charge) to satisfy the need for investment in rapidly developing water conservancy work. During 1994, the province collected a total of 32 million yuan through the two fees and one charge, and 23 million yuan through the collection of water resources fees. Despite its fairly straitened financial circumstances, the province steadily increase payments for farmland water conservancy construction, the amount increasing from 67 million yuan in 1980 to 100 million yuan in 1995. Some prefectures, municipalities, and counties also resorted to cooperative shares, auctions, sales, contracting, leasing, and transfers as funding channels.

All of these activities mark the gradual formation of the basic provincial framework for a diversified, multi-level, multi-channel water conservancy investment system. It presages the arrival of a new springtime for water conservancy construction.

Lag in Water Prices Exerts a Drag on Reform

As reform intensifies, difficulties in reforming the lag in water prices have gradually come to the fore.

Water prices are the most dynamic and most sensitive element in the water conservancy economy. Orientation of water conservancy toward the market requires a compensation system that is in keeping with the water conservancy business, meaning a rational pricing system is needed.

The lag in water price reform shows up particularly in three no actions: first is no action on carrying out policies, the second is no action on price, and the third is no action on fee collections.

When the province drew up water prices in 1987, water for the irrigation of paddy fields cost between 0.005 and 0.007 yuan per cubic meter, which was 35 percent of the cost of producing it at that time. Water for industrial use was priced at 0.05 yuan per cubic meter, and the cost of recycled water was 0.015 yuan per cubic meter. This was one-third and one-fifth respectively of the cost of delivering it. In 1992, two years after the central government called for a revision of water fee standards, some provincial water charges were readjusted, but water was still not priced properly. A fee of 0.01 yuan was charged for water produced at a cost of 0.0265 yuan per cubic meter for paddy field irrigation, and a fee of 0.13 yuan was charged for water produced at a cost of 0.24 yuan per cubic meter for industrial use.

The authorities concerned estimate that for each 100 yuan invested in irrigation projects, the state recovers

less than one yuan from the collection of water fees. Even so, it is frequently unable to collect the total amount due. Each year the province is able to collect only about 70 percent of water fees that are due. In some places, a strange situation exists in which the authorities stand up to release water but kneel down to collect fees.

The consequences of water prices not reflecting costs are serious. First of all, water works find it difficult to maintain simple production, and when facilities become dilapidated, they lack the wherewithal to fix them. Second, people do not value water. The waste is alarming.

In a market economy, pricing water rationally is necessary to ensuring the vitality of the water conservancy economy. Straightening out water prices is an important way of ensuring a benign cycle.

The water conservancy system must become a deregulated system, and a prerequisite for deregulation is treating water resources as a commodity and using the market mechanism to optimize the allocation of water resources. Therefore, accelerating the pace of water price reforms has become an important part of reform of the water conservancy economic system.

World Bank Loans Used To Improve Animal Husbandry

*OW2106041995 Beijing XINHUA in English
0242 GMT 21 Jun 95*

[FBIS Transcribed Text] Jinan, June 21 (XINHUA) — The use of World Bank loans to improve animal husbandry has been paying off for east China's Shandong Province.

A five-year project, which was approved by the bank recently, used 284.49 million yuan, including 21.53 million U.S. dollars loaned by the World Bank.

With the project, Shandong has developed assets worth 250 million yuan, and provided jobs for about 4,000 people. Farmers involved in the projects have profited by more than 150 million yuan.

It has built 13 livestock breeding farms able to raise more than 90,000 animals, one chicken farm providing 100,000 chickens for market each year, and one beef cattle farm with 4,000 head of cattle, 13 slaughter lines, six storage facilities, and a number of leather and feather processing factories, and woolen textile mills.

By the end of last year, the processing business generated output value worth 485.39 million yuan, with sales amounting to 409.42 million yuan.

At present, the province exports rabbit meat, chickens, feather and leather products, and forage grass to a dozen countries and regions.

The project began in 1990 and was basically completed by the end of last year, covering an area of 13 counties and cities in the Yimeng Mountains and Tuohai River Valley.

Sichuan Expects Bumper Rapeseed Harvest

*OW2106080695 Beijing XINHUA in English
0738 GMT 21 Jun 95*

[FBIS Transcribed Text] Chengdu, June 21 (XINHUA) — Southwest China's Sichuan Province is expected to harvest 1.38 million tons of rapeseed, up 21.1 percent over last year, according to the provincial statistics bureau.

Statistics show that 11 cities and prefectures across the province are expecting increases of over 20 percent in their rapeseed yields, including this provincial capital and Chongqing, another important city in the province. Fuling Prefecture is expected to achieve the highest increase — 56.8 percent.

The expansion of rapeseed fields is the major factor behind the probable bumper harvest. Sichuan used paddy, fallow fields and hillside fields to plant rape last winter, which enhanced the rape area to 850,820 ha [hectare], up 16.2 percent over 1994.

The application of advanced farming techniques has played a key role in the increase; 27 percent of the fields were planted with high-quality rape.

***Sichuan Farmer Cash Income Increases**

*95CE0444C Chengdu SICHUAN RIBAO in Chinese
1 Jun 95 p 2*

[FBIS Summary] According to a survey of 5,500 rural households in 55 counties, the per capita cash income of farmers in the first quarter of 1995 in Sichuan Province was 286.24 yuan, an increase of 68.39 yuan, or 31.4 percent over the same period in 1994. Deducting for inflation the actual increase was 14.24 yuan, or 6.5 percent.

In the first quarter, per capita income from labor compensation was 65.98 yuan, a 28.9 percent increase. Per capita income from sales was 142.64 yuan, a 39.8 percent increase. Per capita income derived from secondary and tertiary industries was 77.72 yuan, a 13.1 percent increase, and per capita transfer and financial income was 42.69 yuan, a 34.7 percent increase.

East Region

Fujian Governor Urges Minimizing Disaster Losses

HK2106024695 Fuzhou Fujian People's Radio Network in Mandarin 2300 GMT 6 Jun 95

[FBIS Translated Text] On the afternoon of 5 June, provincial Governor Chen Mingyi presided over a work meeting to listen to reports on this year's natural disaster conditions submitted by relevant provincial departments. The meeting urged all quarters to base themselves on preventing and resisting serious natural disasters, make early arrangements and preparations, and ensure the safety of the lives of the masses to minimize the losses caused by natural disasters.

Vice Provincial Governors Wang Jianshuang, Zhang Jiakun, Tong Wanheng, Wang Liangchuan, Pan Xincheng, (Huang Xiaojin), and others attended the meeting. Responsible persons of the provincial People's Congress, Agricultural Commission, Economic Commission, and relevant departments directly under provincial authorities also attended the meeting as non-voting delegates. Chen Mingyi spoke at the meeting.

The meeting held: In recent years, our province has made early arrangements for preventing and resisting natural disasters, and measures taken by us are effective. The situation as a whole has been good. However, there are still weak links. In some localities and departments, people's concepts on resisting and preventing natural disasters are weak. They are careless and attempt just to muddle through. Some localities are facing a more serious flood situation. The operations of some large power stations and coordination work for preventing floods are less than satisfactory. Some water conservancy works have collapsed or are in disrepair. Houses and tents are built at riverside [words indistinct] despite repeated warnings. All this merits our attention. It is necessary to take measures to solve these problems.

Chen Mingyi made a concluding speech at the meeting. He said: Natural disasters frequently occur in our province from June to September. We must be ideologically prepared for preventing and resisting serious natural disasters. We must make prompt efforts to study and analyze the disaster conditions facing us. We must do well in various kinds of disaster forecasting work. At present, we must make special efforts to solve problems involving coordination in flood prevention work and riverside houses and tents. We must give first priority to protecting the safety of people's lives and property. We must strive to minimize the losses caused by natural disasters this year.

Jiangxi Secretary Meets With Envoys Delegation

HK2106023195 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 28 May 95

[FBIS Translated Text] Provincial party committee Secretary Wu Guanzheng met with and hosted a banquet in honor of a Jiangxi-bound Chinese Diplomatic Envoys Inspection Delegation in Binjiang Hotel yesterday evening.

On behalf of the provincial party committee and government, Secretary Wu Guanzheng extended warm welcome to and briefed the Chinese Diplomatic Envoys Delegation on Jiangxi's economic development in the last few years and on Jiangxi's future development plans. He also expressed hope that the delegation members will put forth as many proposals as possible on Jiangxi's work.

The 30-member Chinese Diplomatic Envoys Inspection Delegation, led by Chinese Ambassador to Japan Xu Dunxin as leader and Chinese Ambassador to Russia Li Fenglin as deputy leader, arrived in Jiangxi on an inspection tour on 22 May. During their stay in Jiangxi, the delegation members visited Silver Triangle Gallop Bridge in Nanchang City, Changjiang Bridge in Jiujiang City, Gongqing Town, Jiangxi Motor Works, Jiujiang Petrochemical Plant, Ganxin Color Television Factory, and Ganjiang Pharmaceutical Factory, and toured Tengwang Pavilion, Lushan Mountain, and Jinggang Mountain.

Yesterday afternoon the delegation members met and discussed Jiangxi's work with persons in charge of the provincial people's government departments concerned. Provincial Vice Governor Zhou Zheping was present during the meeting.

Yesterday evening's meeting and banquet were also attended by some other provincial leaders like Huang Zhiqian and Zhou Zheping, persons in charge of the provincial people's government departments concerned, and persons in charge in Nanchang City.

Acting Jiangxi Governor Inspects Flood Areas

HK2106060595 Nanchang Jiangxi People's Radio Network in Mandarin 1100 GMT 8 Jun 95

[FBIS Translated Excerpt] Shu Shengyou, provincial party committee deputy secretary and acting provincial governor, on 6-7 June visited Shangrao Prefecture's disaster-stricken Wannian County where he not only inspected and directed disaster relief work but also expressed sympathy and solicitude for people of disaster areas.

Acting Governor Shu Shengyou called on people of disaster areas to brace up, strengthen confidence, bravely

combat flood disaster, make flawless arrangements for production and livelihood, make every possible endeavor to negotiate difficulties, and strive to reduce flood-incurred losses to a minimum.

At noon on 6 June, Acting Governor Shu Shengyou and his entourage arrived in flood-stricken Wannian County. Braving the heavy rain, Shu Shengyou walked in water for more than one hour and inspected flood-stricken Shixia Village of Panling Township. He fully affirmed disaster resistance and relief work conducted by Shangrao Prefecture and Leping City, spoke highly of people of disaster areas for having displayed the staunch spirit of never bowing to flood disaster and never yielding to hardship, and put forward explicit requirements for the present flood resistance and relief work. [passages omitted]

Acting Governor Shu Shengyou also urged people of disaster areas to further heighten morale, solidify will and resolve to provide for and help themselves by engaging in production at once, combat flood and waterlogging disasters with high spirit and through self-reliance, waste no time in mobilizing and organizing the masses to resume production and rebuild hometowns, make sound production and livelihood arrangements, wash and clean inundated early rice, and step up field management as well. He called on factories, mines, and enterprises in disaster areas to immediately check and repair damaged equipment and resume production. He stated: While making livelihood arrangements for people of disaster areas, we should concentrate on resolving such necessities for people of disaster areas to ensure that they will have food to eat, clothes to wear, houses to live in, and production tools to use. What is more, we should make every possible endeavor to maintain social order and step up epidemic prevention to protect the immediate interests of people in disaster areas.

Acting Governor Shu Shengyou called on party committees and people's governments and party and government leaders at all levels to play a leadership core role as well as a vanguard and exemplary role as party members, immediately go deep into disaster areas and among disaster-stricken people, and make production and livelihood arrangements for each and every household. He urged party members and cadres of disaster areas to personally take the lead in rushing to deal with emergencies, help the poor and needy overcome difficulties, and set fine examples for people in disaster areas.

Jiangxi Secretary, Acting Governor Inspect City
HK2106060395 Nanchang Jiangxi People's Radio
Network in Mandarin 1100 GMT 8 Jun 95

[FBIS Translated Text] Provincial party committee Secretary Wu Guanzheng recently inspected Nanchang City, where he emphatically stated: Being an industrial city, Nanchang City should keep a firm hold on five economic growth points, namely, state-owned enterprises, township and town enterprises, foreign-funded enterprises, individually or privately run enterprises, and new- and hi-tech enterprises, and should work hard to accelerate industrial growth and raise industrial quality and efficiency.

Secretary Wu Guanzheng and other leading comrades inspected on 3-4 June more than 10 enterprises in Nanchang City, including a foreign-invested industrial zone in Xinjian County, Nanchang Gear Wheel Factory, Jiangxi Transformer Factory, Wuhuse Cloth Weaving Factory, Yangzizhou Pharmaceutical Factory, Jiangxi Paper Mill, Jiangxi Tractor Plant, Jiangxi Kaili Dyeing and Weaving Company, and so on. Wherever he went, Secretary Wu Guanzheng inquired in detail about local industrial production and operations, technological progress, capital utilization, products sales, marketing prospects, staff and workers' incomes, and other work aspects, and he expressed views on how to improve local enterprises.

On the morning of 6 June, Secretary Wu Guanzheng, provincial Acting Governor Shu Shengyou, Zhu Jinpei, and other leading comrades listened to work reports given by the Nanchang City CPC Committee and Nanchang City People's Government. After fully affirming Nanchang City's reform and development successes, Secretary Wu Guanzheng stated: Nanchang City is the only provincial capital city along the Beijing-Kowloon Railroad. Thanks to the commissioning of the double-track Zhejiang-Jiangxi Railroad and the rapid pace of exploitation and opening up along the Changjiang, Nanchang City has now become an increasingly important regional center. Therefore, we should firmly grasp this rare opportunity, persistently further opening up to promote exploitation, energetically further exploitation to promote development, make unreserved efforts to improve both soft and hard investment environments, and strive to invite more foreign and domestic capital and business partners, especially foreign capital and overseas business partners.

Secretary Wu Guanzheng stressed: Nanchang City should concentrate on industrial development, make continued efforts to optimize agricultural production, speed up commercial development, make unreserved efforts to promote urban economic growth, more

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expeditiously build socialist spiritual civilization, democracy, and legal system, make greater efforts to improve social order, straighten out professional malpractice, show concern for people's livelihood, constantly raise living standards, further improve quality of life, work out flawless urban development plans, make a success of urban construction and management, and strive to become an open pivotal city known for multiple functions, high efficiency, and regional influence.

Speaking of improving industrial enterprises, Secretary Wu Guanzheng pointed out: Enterprise improvement is subject to a variety of factors, of which factory directors or managers are a key factor. Therefore, we should select, promote, and appoint as enterprise leaders comrades with ideals, aspirations, and a spirit of devotion. He earnestly expressed the hope that all factory directors and managers will be strict with themselves, work in the forefront of production, personally take charge of production and operations, be diligent and hardworking, and make meticulous production arrangements.

After listening to Nanchang City's work reports, provincial Acting Governor Shu Shengyou also delivered a speech in which he stated: Nanchang City should concentrate more on industrial development and opening up to the outside world, invite more foreign capital, properly handle relations between speed and efficiency, simultaneously carry out reform, reorganization, and transformation on the basis of improving enterprises management, turn losses into profits, improve both speed and efficiency, rapidly develop production while heightening production quality, make every possible endeavor to raise capital utilization efficiency, alleviate contradictions like capital shortage, promote rapid, sustained, and healthy industrial economic growth, be brave in tackling thorny problems, further improve work style, implement a responsibility system to this end, firmly grasp links and key points, resolutely strengthen weak links, and conscientiously build new- and hi-tech development zones.

Those accompanying Secretary Wu Guanzheng on his inspection tour also included Peng Kunsheng, provincial party committee standing committee member and Nanchang City CPC Committee secretary, principal comrades in charge of relevant departments directly under the provincial authorities, and leading comrades in charge of Nanchang City.

Shandong's Qingdao Zone Forms 'Pillar Setup'

*OW2106063295 Beijing XINHUA in English
0620 GMT 21 Jun 95*

[FBIS Transcribed Text] Qingdao, June 21 (XINHUA) — The Qingdao Development Zone in coastal Shandong Province has formed a pillar setup for local industry after ten years of development.

A local official said that the zone includes petroleum, chemicals, chemical fiber, machinery, electronics, building materials, rubber and food-processing enterprises.

Meanwhile, the construction of China's largest commercial oil storage facilities is proceeding smoothly at the zone.

With a combined investment of 58 million U.S. dollars, the 400,000-cu-m facilities are being built by the China Petroleum Corporation, the Qilu Petrochemicals Company and the Hong Kong China Resources Holdings Company Ltd. Completion is expected by the end of this year.

Projects scheduled for construction include an oil refinery with an annual capacity of 15 million tons, two chemical projects in cooperation with Hong Kong and the Republic of Korea, and two liquefied petroleum gas projects.

According to statistics, the zone has approved the establishment of more than 2,000 foreign-funded projects and items in cooperation with other parts of the country so far.

It has generated an industrial output value totalling 8.2 billion yuan and exported 440 million U.S. dollars-worth of goods in the decade since its founding.

Zhejiang Holds Meeting to Study Jiang Speech

*OW2106015895 Hangzhou ZHEJIANG RIBAO
in Chinese 30 May 95 p 1*

[Unattributed report: "Provincial Party Committee Convenes Meeting of City and Prefectural Party Committee Secretaries and Provincial-Level Department Senior Officials to Diligently Study Jiang Zemin's Important Speech and Promote Work in Various Fields in Zhejiang"]

[FBIS Translated Text] On the morning of 29 May, the provincial party committee held a special meeting of party member-leading cadres of the provincial-level organs and secretaries of the city and prefectural party committees to transmit the guidelines of the important speeches made by Jiang Zemin and other central leading comrades during their inspection of Zhejiang. Liu Feng,

deputy secretary of the provincial party committee, officiated the meeting; and Lu Zushan, secretary general of the provincial party committee, transmitted the guidelines. In the afternoon, the provincial party committee invited city and prefectural party committee secretaries to a forum, during which Li Zemin, secretary of the provincial party committee, spoke of ways and means for studying and implementing Comrade Jiang Zemin's important speech to promote work in various fields in Zhejiang.

Li Zemin said: The important speeches made by Jiang Zemin and other central leading comrades, which reflect the party Central Committee and State Council's guiding ideology on work in the near future, are highly relevant to work in Zhejiang; they provide the major guidelines on the work at present and for some time to come. When transmitting and studying Comrade Jiang Zemin's important speech, we should pay particular attention to the principles of reinforcing agriculture, of invigorating large and medium state enterprises, and of encouraging the common development of diverse economic sectors while maintaining public ownership as the dominant force. We should adhere to the principle of "giving equal emphasis on two fronts" and the party's ideological line of seeking truth from facts in promoting unity and earnestly transmitting, studying, and implementing Comrade Jiang Zemin's important speech, so as to further unify the thinking of leading cadres at all levels and to promote Zhejiang's current work in various fields.

Li Zemin said: Since the beginning of this year, people across the province have worked hard in line with the requirements set by the party Central Committee and plans worked out by the provincial party committee, thereby achieving notable progress in all fields of endeavor. What we should do next is to relentlessly implement the important speeches by Comrade Jiang Zemin and other central leading comrades in light of the provincial party committee's work plans for this year. We should continue to comprehensively carry out the party Central Committee's "20-character principles"; to correctly handle the relations between reform, development, and stability; and to adhere to the principle of "giving equal emphasis on two fronts" by concentrating efforts on promoting economic construction, reform, and opening up on the one hand while intensifying party building and the construction of spiritual civilization, democracy, and the legal system on the other.

Li Zemin said: We should continue to exert ourselves to promote agriculture. In the first half of this year, leaders at all levels have devoted a great deal of energy to stabilizing agriculture, especially promoting grain production. The energetic efforts have generally produced

good results, and the task of planting 13 million mu of early rice is expected to be completed. The experience shows that so long as we unify the thinking at all levels, take effective policy measures, and work hard, it is possible for us to build up the momentum for developing agriculture. Currently we should strengthen early rice field management and prepare ourselves to defend against natural disasters in order to win a bumper harvest. All levels should foster an awareness of preventing and fighting against major disasters, and should complete preparations as far as material supply and coordination are concerned. Moreover, in view of the spring cocoon procurement already under way in southern Zhejiang, all localities should seize the excellent situation emerging in rural areas and make the best use of the situation to strengthen the management and service and to ensure a good job in procuring spring cocoons in accordance with the provincial government's requirements. Meanwhile, we should study a number of major long-range issues — such as improving the agricultural input system, popularizing suitable-scale operation of grain fields and two-line operations of grain reserve management, perfecting the agricultural science and technology service system, protecting crop land according to the law, carrying out a comprehensive pilot project on the management system of collective assets in rural areas, and so on and so forth — in order to promote an all-around development of the rural economy.

Li Zemin pointed out: While continuing to promote agriculture, leaders at all levels should devote considerable efforts to solving outstanding problems in current economic operations; and should pay close attention to increasing industrial production, to stabilizing market prices, and to expanding foreign trade export and foreign capital assimilation; so as to ensure that the provincial economy continues to develop in a sound direction. A recent comprehensive analysis of the performance of the provincial economy conducted by the provincial party committee and provincial government reveals that the provincial economy as a whole is good, noting that under a generally stringent macroeconomic environment, Zhejiang has achieved a relatively fast growth rate for several consecutive years while maintaining good momentum in foreign trade export, price control, and finance and banking. However, we should by no means be overly optimistic; but should realize the existence of quite a few contradictions and problems in the current economic operations, especially the deep-rooted contradictions that have affected and impeded provincial economic development. They are mainly manifested in the excessive increase of wages and cost caused by big price rises in raw and semi-finished materials, and the overall poor economic efficiency of industry.

The fundamental solution to these problems lies in ensuring a change in the guiding ideology for economic work and directing the focus of work to raising the quality and efficiency of economic growth by deepening reform, readjusting structure, strengthening management, tapping internal potential, and enhancing the ability to compete in the market. Pursuant to the goal set forth by the province, we should nurture through reform, reorganization, and transformation a number of mainly public-owned large enterprise groups that can play the vanguard's role in the provincial economy. Since the beginning of this year, we have nurtured a number of small core enterprises, famous-brand products, major foreign exchange earners, and new and high-tech enterprises under the "123 project"; and have used them as the catalyst for readjusting the structure and product mix of the entire industry and the organizational setup of enterprises. We should not relax the effort to control market prices. Although the margin of price rises has dropped, the task to achieve this year's price control target remains arduous. We should not rest content with the progress in price control, but should realize the existence of uncertain factors in controlling the margin of price rises and should continue the effort to control prices. While ensuring effective supply, we should continue to monitor and control market prices; and should punish severely unlawful acts of wanton price hikes, unauthorized collection of fees, and market monopoly. We should continue to utilize foreign funds, and should strengthen work in this field, especially major foreign-funded projects. We should pay close attention to drafting and compiling the ninth five-year plan for provincial economic and social development, earnestly summarizing experiences and clearly defining the development goals and development ideas.

Li Zemin pointed out: We should work out meticulous plans for the reform of enterprises, focused on the pilot project for establishing a modern enterprise system. The provincial party committee's general requirements for enterprise reform are, first of all, we should have confidence in carrying out the reform, especially in invigorating large and medium state enterprises, and should further promote the reform by summarizing Zhejiang's successful experiences in enterprise reform in the past more than a decade. Second, we should follow the correct orientation in reform and establish a modern enterprise system geared to the needs of a socialist market economy. With a view to enlivening the public sector of the economy as a whole, we should uphold the dominant position of public ownership, while continuing to encourage the development and to strengthen management and guidance of individual and private economic sectors and foreign funded enterprises. Third, we should understand the four requirements for establishing a modern enter-

prise system comprehensively, accurately, and in their entirety; and should concentrate efforts on three areas — separating government administration from enterprise management, strengthening management, and establishing a social security system. Fourth, we should combine the reform, reorganization, and transformation of enterprises with the effort to improve management so as to promote development through reform. Fifth, we should organize the establishment of enterprise groups through the merging of weakening enterprises with strong enterprises, in order to activate assets in stock, to promote optimization and realignment of assets, and to maintain and increase the value of assets. Sixth, we should strengthen the party's ideological and political work in the course of enterprise reform, in order to build up a good leading body and train a good contingent of personnel for each and every enterprise. Seventh, we should emancipate the mind, seek truth from fact, and give different guidance to suit different conditions. We should guard against demanding uniformity and rushing headlong into mass action, and should adhere to the criterion of "the three conducive's." We should allow experimentations, continuing those that prove correct, and correcting those that are wrong; and constantly summarizing and perfecting experiences without engaging in argument. Eighth, the reform of enterprises should be carried out under the unified leadership of party committees and governments at all levels; and should be attended to by top party and government leaders.

Li Zemin emphasized: We should adhere to the principle of "giving equal emphasis on two fronts," effectively strengthen party building and the building of spiritual civilization, ensure social stability, and improve social management. As the grass roots form the foundation of our entire work, the purpose of the provincial party committee's demand for strengthening the grass-roots work is to build up primary party organization. First, we should pay close attention to end-of-term elections at the village level, and should strengthen guidance and the building of village-level organizations in the course of end-of-term elections at the village level. Meanwhile, we should reinforce backward village party branches in conjunction with end-of-term elections. Second, we should strengthen education for party member-cadres. All localities should work out plans for studying the party constitution and theory over the next three years; and all cadres of party branches should complete training and study this year. Third, we should pay close attention to improving the education of village-level cadres. Fourth, we should continue to study ways for building up party organizations and recruiting party members in new economic organizations.

The morning session of the meeting was attended by provincial party committee standing committee members; provincial discipline inspection commission deputies secretaries; provincial people's congress standing committee vice chairmen; vice governors; Chinese People's Political Consultative Conference [CPPCC] provincial committee vice chairmen; provincial military district party committee standing committee members; some veteran comrades; all city and prefectural party committee secretaries; provincial party committee members and alternate members, provincial discipline inspection commission standing committee members, provincial people's congress standing committee members, and CPPCC provincial committee full-time standing committee members who are in Hangzhou; all provincial-level department party committee and group members; senior officials provincial democratic parties; and senior officials of enterprises and institutions affiliated to provincial-level departments; and principal party and administrative officials of institutes of higher learning.

The afternoon forum was attended by provincial party committee standing committee members and party group secretaries of the provincial people's congress and the CPPCC provincial committee, and senior officials of the relevant provincial-level departments. City and prefectural party committee secretaries spoke at the forum.

Central-South Region

Reportage Covers Guangdong's Reemployment Scheme

XINHUA on Scheme

OW2106075895 Beijing XINHUA in English
0740 GMT 21 Jun 95

[FBIS Transcribed Text] Guangzhou, June 21 (XINHUA) — Guangdong Province, in south China, is to launch a re-employment project in the latter half of this year with the aim of creating an adequate number of new jobs for local surplus workers within two years.

The project will help 80 percent of the surplus workers in this industrially-developed region to find new jobs or start their own businesses in the same year they were laid off by their enterprises, said Kong Lingyuan, director of the provincial labor department.

The province has recorded an average unemployment rate of two percent over the past few years, the lowest in China.

However, a great number of surplus workers have been discharged by State enterprises owing to reform of

the enterprise management mechanism and industrial structure.

Last year the number of jobless people in Guangdong rose to 123,000, only half of whom got new jobs with assistance from local labor departments.

In addition, one million surplus workers, or 17 percent of the total workforce of Guangdong, have been absorbed by local enterprises. Many are women aged between 35 and 45.

To alleviate the potential social pressure, the provincial government has adopted a series of measures, including running professional training courses for surplus workers and developing service trades. Local residents enjoy preference in getting jobs.

More on Scheme

HK2006154995 Beijing ZHONGGUO XINWEN SHE
in English 1329 GMT 20 Jun 95

[FBIS Transcribed Text] Guangzhou, June 20 (CNS) — Since an estimation in Guangdong's pattern of unemployment had been sketched to show a rise, the province will launch a "re-employment scheme" beginning in the second-half of this year. One of the measures will focus on employing local workers as priority, as opposed to migrant labourers, said Kong Lingyuan, Director of Guangdong Provincial Labour Bureau.

At present, Guangdong has over 6 million migrant labourers from other provinces.

According to Mr. Kong, Guangdong have recorded an urban unemployment rate of around two per cent since the implementation of reforms and opening up. Last year, the unemployment rate was 1.86 per cent, lower than the national average level. Generally speaking, the employment situation of the whole province was good.

Following a change in the operational mechanism of enterprises and speeding up the adjustment of industrial structure, however, it is becoming clearer that the abundant numbers of enterprise employees are changing from latent unemployment to obvious unemployment, and this change from employment to unemployment is intensifying. According to a survey, last year newly-added unemployment from state-owned and collective enterprises amounted to over 120,000, where half of those made redundant were able to find employment again. Surplus workers were as high as over 1 million, accounting for 17 per cent of the total number of staff workers.

Mr. Kong said Guangdong in the second-half of the year will launch a "re-employment scheme" throughout the

province. It will take one or two years' time to settle the current problem of surplus workers to achieve the re-employment of the unemployed to as high as 80 per cent success rate.

Guangxi's Fangchenggang To Add Five New Berths
OW2106042595 Beijing XINHUA in English
0146 GMT 21 Jun 95

[FBIS Transcribed Text] Nanning, June 21 (XINHUA) — Fangchenggang, a port city of southwest China's Guangxi Zhuang Autonomous Region, will add 750,000 tons to its total annual handling capacity following the completion of five new berths this year.

According to local officials, the five berths, work on which began in 1993, used a total investment of 739.23 million yuan. They are capable of handling ships from 1,000 dwt (dead weight tonnages) to 5,000 dwt.

By the end of this year, the entire handling capacity of the port will go from the present 4.63 million tons to 5.38 million tons.

Located at the westernmost part of China's southern coast, Fangchenggang is linked to Nanning City, the provincial capital, by a railway line, and is considered the most convenient outlet to the sea in southwest China. It is also a good natural port and is capable of holding 77 berths.

Built in 1968, the port now has eight berths. Last year, it handled 4.62 million tons of goods and by the year 2000, is expected to handle 10 million tons to 14 million tons of goods.

Southwest Region

Guizhou Urges Development of Science, Technology
HK2106025095 Guiyang Guizhou People's Radio
Network in Mandarin 2300 GMT 6 Jun 95

[FBIS Translated Text] Yesterday Guizhou Provincial CPC Committee held an enlarged plenary meeting to relay and study the spirit of the National Scientific and Technological Congress and suggest ways and means for implementing the spirit. The meeting was presided over by provincial party Secretary Liu Fangren. Those who attended the meeting included members of the provincial CPC Committee Standing Committee; Wang Chaowen, chairman of the provincial People's Congress Standing Committee; Gong Xianyong, vice provincial governor; Meng Sufen, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference [CPPCC]; and responsible comrades from the relevant departments under provincial authorities.

Provincial party Secretary Liu Fangren and Vice Governor Gong Xianyong respectively relayed at the meeting the spirit of the important speeches of General Secretary Jiang Zemin, Premier Li Peng, and other leading comrades. At the discussion, all attendees maintained that the National Scientific and Technological Congress convened by the CPC Central Committee and the State Council is of great practical importance and profound historical significance. It is necessary for us to implement the spirit of the conference as a matter of primary importance for speeding up scientific and technical progress, accelerating the process of turning science and technology into productive forces, and promoting economic development in our province. It is necessary for us to take practical action to pursue the strategy of invigorating our country with science and education.

At the meeting, provincial party Secretary Liu Fangren called on various localities and departments throughout the province to relay and study well the spirit of the National Scientific and Technological Congress and fully pursue Comrade Deng Xiaoping's thinking on taking science and technology as primary productive forces. CPC Committees and governments at all levels must organize well the study of important speeches by General Secretary Jiang Zemin and Premier Li Peng and other leading comrades, and implement the spirit of the decision of the CPC Central Committee on relying on scientific and technological progress to truly foster the idea on taking science and technology as primary productive forces.

Liu Fangren stressed: Cadres at all levels throughout the province, and leading cadres in particular, must conscientiously study Marxist materialist dialectics to establish a scientific world outlook and methodology to enhance the level of scientifically making strategic decisions. The whole society must popularize the fine practice of relying on science and technology and respecting knowledge and qualified personnel to truly put into action the strategy of invigorating our country with science and education. It is necessary to further deepen our scientific structural reform and actively explore a new way for integrating economy with science, technology, and education. We must have a clear direction and great determination, and take steady steps.

Liu Fangren pointed out: Party and government departments at all levels must stick to the practice that the number one man grasps primary productive forces to truly strengthen leadership over scientific and technological work, and give first priority to the strategic development of science and technology. They must attach importance to scientific and technological work ideologically. They must rely on science and technology in their work, and materialize policy for science and technology.

No matter how strained the financial situation is, they must not reduce investment in science and technology. Party and government departments at all levels must do practical work and create good conditions for scientific and technological departments and scientific and technical personnel, so that the broad masses of scientific and technical workers can give full play to their talent in still better ways.

Sichuan Hosts Property Management Work Meeting

HK2106025195 Chengdu Sichuan People's Radio Network in Mandarin 1100 GMT 5 Jun 95

[FBIS Translated Text] More than 150 representatives of the country's state property management departments today met in Chengdu to discuss ways and means of stepping up propaganda aimed at mobilizing people of all walks of life in society to show concern for state property, prevent state property erosion, and protect 1.2 billion Chinese people's common property.

Today's meeting was attended by provincial Vice Governor Xu Shiqun; Pan Yue and Zhu Zhigang, National Administration of State Property deputy directors; as well as comrades in charge of various departments concerned.

Pan Yue, National Administration of State Property deputy director, stated in his speech: Along with the country's deep-going economic structural reform, the whole party has gradually come to see the necessity of gradually establishing a state property management and operative mechanism with Chinese characteristics. Such a mechanism, he noted, should conform with a socialist market economy. Along with the country's deep-going reform, we are facing an increasingly arduous state property management task. Since we are unable to accomplish this arduous task by relying solely on state property management departments, we should mobilize more than one billion people to show concern for and protect state property. We should also enable more than one billion people to understand that state property protection concerns their own immediate and long-term interests, for state-owned enterprises are employing some 60 percent of the country's total number of staff and workers.

Zhu Zhigang, National Administration of State Property deputy director, pointed out in his speech: This year we have carried out the work of screening state-owned property and merging state-owned assets. This has laid a solid foundation for establishing a state property protection system. We should gradually set up a state property supervision, control, and report system; step up state property examination to prevent state property

erosion; carry out experiments on setting up a new state property management system in selected units; and establish a state property inspection system as well.

Tibetan-Inhabited Area in Sichuan Thrives

OW2106093795 Beijing XINHUA in English 0905 GMT 21 Jun 95

[FBIS Transcribed Text] Chengdu, June 21 (XINHUA) — The Tibetan-inhabited area in southwest China's Sichuan Province has achieved rapid economic growth and greatly improved the local people's living standards over the past few years, according to officials in this provincial capital.

Sichuan has a Tibetan population of 1.2 million. Tibetans are concentrated in Muli County, and Ganzi and Aba prefectures, which cover a combined area of 250,000 sq km, roughly 44 percent of Sichuan's territory.

An official of the Provincial Statistics Bureau said that the gross domestic product — the value of goods and services produced — in the Tibetan-inhabited area amounted to nearly four billion yuan in 1994, up 30 percent from 1989.

The per-capita net income of Tibetans averaged 618 yuan in 1994, up 28 percent from 1989, the official said, adding that 161,100 Tibetan families living below the poverty line in nine counties had risen above the poverty line.

Over the past few years Ganzi and Aba prefectures have signed 707 economic co-operation contracts with other parts of China, thereby bringing in 995 million yuan and 530 engineers and technicians.

To date, 11 foreign-funded companies have been set up in the prefectures, the official said.

The 260,000-kw Taipingdu Hydropower Station, built jointly by Aba and the Huaneng Group, adds 300 million yuan a year to Aba's output value and generates 100 million yuan in profits and taxes annually.

The Tibetan-inhabited area now has a total school enrolment of 210,000, five percent more than in 1989. It also has 357 boarding schools for Tibetan children, with a combined enrolment of 31,400.

The Tibetan language is being taught to 61,000 students in 912 primary and middle schools, the official said.

He said the achievements in the Tibetan-inhabited area are due partly to assistance extended by other areas of China.

Over the past six years the central government has financed the undertaking of a number of key resource-development, transport and energy projects in the area.

The big cities of Chengdu, Chongqing and Deyang in Sichuan and Shenzhen in Guangdong Province, Yantai in Shandong Province and Suzhou in Jiangsu Province have also provided assistance to the area in such sectors as energy, education, public health, and science and technology.

Futian District of Shenzhen has decided to spend 10 million yuan building a hotel in Jiuzhaigou, a scenic area in Aba Prefecture. All the profits to be made by the hotel will be used for the promotion of local education.

Tibet To Raise Overall Construction Efforts

HK2106022695 *Beijing RENMIN RIBAO* in Chinese
12 May 95 p 3

[By reporter Liu Wei (0491 0251): "With 62 Aid-Tibet Projects in Full Swing, Tibet To Greatly Enhance Its Overall Strength"]

[FBIS Translated Text] A large upsurge in construction, previously unprecedented in Tibetan history, is now in full swing on the mountainous and snowy plateau. Everywhere one goes, one feels the enthusiastic and vigorous atmosphere.

In July last year, the party Central Committee convened in Beijing the Third Working Conference on Tibet. The conference adopted an important policy decision—that is, the central government and the various provinces and municipalities agreed to jointly invest 2.38 billion yuan to fund 62 construction projects in Tibet.

Before liberation, Tibet was for a long time in a social condition characterized by the combination of religion and politics and the dictatorship of lamas and nobles; its economic development was extremely backward. When it was peacefully liberated in 1951, there was not a single highway in Tibet, no modern factories, no electric power facilities, no modern schools.... and the broad masses of serfs, who made up more than 95 percent of the population, did not enjoy any human rights. Since the establishment of the Tibet Autonomous Region in 1955, particularly during the last dozen years or so of reform and opening up, to help Tibet develop and advance, the state has adopted a series of special policies and flexible measures in Tibet and contributed a great deal of manpower and material and financial resources. Available statistics indicate that from 1952 to 1994, funds invested by the state in Tibet exceeded 35 billion yuan. As a result, earth-shaking changes have taken place in Tibet. Yet compared with the development of the other hinterland areas, its development is still

in a backward state. The 62 projects are precisely aimed at narrowing the gap between Tibet and the hinterland areas and enabling Tibet to attain a new level of development in its economic construction.

The 62 projects are split among many different industries and fields, including agriculture, industry, energy, transport and communications, posts and telecommunications, social development, and technological upgrading, thus covering nearly every aspect of Tibet's socio-economic development. The 62 projects are scattered across seven prefectures (prefectural-level cities), 74 counties (county-level cities), and more than 700 townships (towns).

At present, the 62 projects to aid Tibet undertaken by the central government, the various provinces and municipalities, and six cities with a separate listing in the state plan, are being undertaken in an intense and orderly fashion. The first-phase work has been completed in 55 of the projects, and construction has started on 47.

According to estimates, when the 62 projects are completed, Tibet's overall economic strength will be markedly enhanced. The production conditions of agriculture and animal husbandry and the working environment for 37 border and poverty-stricken counties will be improved; marked changes will take place in the urban construction of Lhasa and other prefectures and cities. In addition, Tibet will see its hydroelectric power generating capacity increased by 30,000 kw, its electrical output increased by 166 million kw-hours, its telephone exchange capacity increased by 30,000 sets, its long-distance telephone lines doubled and redoubled, its industrial production capacity markedly improved, with flour processing capacity increased by 35 million kg and vegetable oil processing capacity increased by 3 million kg, its urban water supply capacity increased by 16,000 tons, its hospital beds increased by 400, its middle school enrollment increased by 4,900, and its broadcasting and TV coverage percentages increased by 50 percent and 40 percent respectively as compared with what they are now, thus basically achieving the goal of every township having a broadcasting and TV receiving station. From now until the year 2000, Tibet's fixed assets investment scale will increase at an annual rate of around 30 percent, and its gross domestic production value will increase at an average annual rate of 10 percent, higher than the planned national average of 8-9 percent.

Tibet Cadres Devoted to Local Development

*HK2106032895 Beijing RENMIN RIBAO in Chinese
12 May 95 p 3*

[Dispatch from Lhasa by reporter Li Wei (0491 0251): "Cadres of Various Nationalities in Tibet Are Determined To Selflessly Devote Themselves to Local Development"]

[FBIS Translated Text] Currently, a high tide of learning from Kong Fansen is being launched on the Tibetan Plateau. More than 2.3 million cadres and people of various nationalities and all walks of life are combining their studies of the model with their practical work, finding the gaps between themselves and the model, and making earnest efforts turn Kong Fansen's spirit of selfless devotion into a great force in building Tibet.

Guo Jinlong, executive deputy secretary of the autonomous regional party committee, said that Kong Fansen embodied the fine qualities of the cadres of various nationalities working and devoting themselves to the motherland's border areas and that he was an outstanding representative of all cadres who have worked and are working in Tibet. He said that he himself, as a cadre working to aid Tibet, should learn from Kong's fine style of upholding the mass line and his work style of doing solid work and building a clean and industrious government, and serve the Tibetan people wholeheartedly.

Yang Chuantang, deputy secretary of the autonomous regional party committee and executive vice chairman of the autonomous regional government, who had been transferred from Shandong to work in Tibet, was familiar with Kong Fansen. He said that through learning from Kong Fansen he had become more determined to work in Tibet for a long time and make solid contributions to its economic development.

The publication of Kong Fansen's deeds in newspapers has inspired the officers and men of the People's Liberation Army and the People's Armed Police in Tibet. They have earnestly read the articles and held discussions to educate themselves in outlook on life. One captain told this reporter that the RENMIN RIBAO copies carrying the article "Kong Fansen—A Model for Leading Cadres" was much coveted here and nearly everyone wanted to keep a copy of the newspaper.

Luoga [3157 0867], former mayor of Lhasa and currently director of the Tibet Science and Technology Commission, had worked together with Kong Fansen for four years. He said with feeling that the meritorious deeds of Kong Fansen constituted the inheritance and promotion of the "old Tibet" spirit in the new era. Kong Fansen loved Tibet and the Tibetan people and

put himself body and soul into changing the poor and backward outlook of areas inhabited by ethnic minorities. Ngakou [7093 2099], secretary of the Naqu Prefectural CPC Committee, said excitedly that all things Kong Fansen did for the Tibetan people were valuable—he adopted Tibetan orphans, supported elderly people in the agricultural and pastoral areas, cared about the livelihood of the people, and treated Tibetan people as brothers and sisters without making any distinction between different nationalities. Ngakou indicated that, like Kong Fansen, he would make strict demands on himself and serve the people in northern Tibet through outstanding work.

Number of Tibet Ethnic Minority Cadres Growing

*HK2106022895 Beijing RENMIN RIBAO in Chinese
9 May 95 p 4*

[Dispatch by reporter Liu Wei (0491 0251): "Large Numbers of Ethnic Minority Cadres Are Growing Healthy and Strong in Tibet— Tibetan Cadres Now Account for 70 Percent of the Total Number of Cadres in Tibet"]

[FBIS Translated Text] Lhasa, 8 May (RENMIN RIBAO) — Over the past three decades since it attained regional autonomy, with the support and concern of the party Tibet has trained and nurtured a large number of Tibetan cadres.

The party and government have put a great deal of energy into the training of minority ethnic cadres. Over the past few decades, nearly all key universities in the Chinese hinterland have helped train special personnel for Tibet. Danzim, currently deputy secretary of the Tibet Autonomous Region CPC Committee, graduated from Fudan University and previously worked as a journalist and served as head of the regional cultural department; Luoga, now director of the regional science and technology commission, was once a top student at the Central Institute of Nationalities; Ciwang Junmei, who graduated from Beijing Normal University, has a special relationship with higher education in Tibet and has serviced in succession as a university lecturer, department head, university president, and now president of Tibet Institute of Nationalities.

Since 1980, the Central Party School has set up a special class for ethnic minority cadres from Tibet to train high-level cadres for the region. As of 1993, Tibet annually sent some 100 ethnic minority cadres to receive training at similar posts in the economically developed areas to raise their practical work capability.

Tibet has established a network to educate ethnic minority cadres and specialized technical personnel.

Party schools have been set up at the regional level and in various prefectures and cities, and all institutions of higher learning in the autonomous region have established cadre-training departments. While making efforts to strengthen basic education and efficiently manage the 3,560 schools of different types in the autonomous region, Tibet has opened Tibetan classes in 26 provinces and municipalities to train cadres for the next century and to make sure they carry on Tibet's cause of socialist construction.

Currently, Tibetan cadres account for 72.1 percent of the total number of cadres in Tibet. Among the leading cadres, they account for 67.7 percent at the autonomous regional level, 64.1 percent at the prefectural level, and 60.9 percent at the county level. The principal leaders of the people's congresses and governments at all levels are Tibetans. Of the more than 900 townships (towns) in the autonomous region, the leaders are all Tibetan cadres or cadres of other ethnic minority groups. A contingent of Tibetan specialized technical workers has been formed. Currently there are more than 20,000 specialized technical personnel in Tibet, and they have been placed in important posts at all levels of Tibetan society.

Yunnan Secretary Addresses Propaganda Chiefs

HK2106025295 Kunming Yunnan People's Radio Network in Mandarin 1000 GMT 4 Jun 95

[FBIS Translated Excerpt] A provincial forum of propaganda chiefs from various prefectures, autonomous prefectures, and cities concluded in Kunming yesterday. Provincial Party Secretary Pu Chaozhu was present and delivered an important speech at the meeting.

Pu Chaozhu pointed out when summing up our province's propaganda and ideological work since last year: We must continue to forge ahead while affirming our achievements and summing up our experience.

Pu Chaozhu said: Regarding the building of socialism with Chinese characteristics, after years of practice, failing to attach importance to two types of work simultaneously is still a difficult problem to be solved. As far as the relationship between material progress and spiritual progress is concerned, it is easy to be soft on the latter. As far as economic construction and ideological and political work are concerned, it is easy to be soft on the latter. As far as the work of production and party building are concerned, it is easy to be soft on the latter. We have drawn a bitter lesson in these respects. Under the condition of reform and opening up, there are two fundamental tasks of the party's ideological and propaganda work: First, to emancipate our minds, to be practical and realistic, and to give wide publicity to

the one center and two basic points; and second, when doing actual work, to guard against and overcome the problem of failing to attach importance to two types of work simultaneously. The national propaganda and ideological work meeting has set a fundamental policy. Man and his thinking is the target of propaganda and ideological work, which will only bear fruit when we deal with his mind. In implementing the party's policy, the provincial party committee has set the demand of three changes. That is, to turn unrealistic work into real work; to turn abstract work into concrete matters; and to turn spiritual strength into material power. In Yunnan, it precisely means that we have to handle well 37 concrete matters. In the past year or so, a new prospect in propaganda and ideological work has been opened up across the province, and remarkable results have been achieved in the work and all other aspects related to ideology.

As pointed out by Pu Chaozhu, we must understand the importance of theory and arm people with scientific theories. In the past five years, by taking party schools at the provincial and prefectural levels as the front, the building of socialism with Chinese characteristics as the theme, and the Selected Works of Deng Xiaoping as the main teaching materials, the provincial party committee achieved good results in teaching leading cadres at and above the county level with the party's basic theory, basic line, and basic knowledge. Next year, we will launch the second round of study, in which Comrade Mao Zedong's ideas of practice and conflict will be taken as a guide to carry out the new "three basic" education, that is, to study the basic theory of building socialism with Chinese characteristics, the basic theory of a socialist market economy, and basic knowledge of modern science and technology.

Pu Chaozhu said: Theory must be used while it is being studied. We must propagate the thinking of economic development in the next five to 10 years, have a clear mind by linking it with actual conditions, and provide economic development with a theoretical guide. We must bring into effect the idea of taking science and technology as the primary productive force as well as the strategy of making our country prosper through science and technology.

At the forum, Wang Tianxi, member of the provincial party committee standing committee and head of the propaganda department, delivered a speech on the importance of propaganda and ideological work and the current situation, tasks, and demands. [passage omitted]

North Region**Beijing To Try New Enterprise Management System**

HK2006133095 Beijing ZHONGGUO XINWEN SHE in English 0942 GMT 20 Jun 95

[FBIS Transcribed Text] Beijing, June 20 (CNS) — This year Beijing Municipality will try out a new salary system for heads of state-owned enterprises.

Since enterprises have different sizes and benefit results, factory directors and managers of Beijing state-owned enterprises will receive basic salaries ranging from 2,000 yuan to 700 yuan per month after the new salary system is carried out, while risk-related fringe benefits ranges between a double basic salary and zero.

The new salary system is considered as an important move to reform the current salary system for operators of state-owned enterprises. The new salary system will be based on a yearly basis to set basic salary for these operators and the amount of risk-related fringe benefits will be decided by business performance of enterprises.

Basic salary will be deducted by at least 20 per cent if the firm concerned encounters a drop in economic benefit or a cut in the value of state-owned assets.

The system will be put on trial in some enterprises beginning this year.

Beijing Secretary on Theoretical Study

SK1906072595 Beijing BEIJING RIBAO in Chinese 1 Jun 95 p 1

[By reporter Wu Yilin (0124 5030 2651): "The Key Theoretical Study Group of the Beijing Municipal CPC Committee and Government Holds a Study Report Meeting"]

[FBIS Translated Text] At the report meeting sponsored by the key theoretical study group of the municipal party committee and government on 31 May, Wei Jianxing, secretary of the municipal party committee, urged that the broad masses of cadres and party members across the municipality, particularly the leading cadres at various levels, should fully apply the supplementary teaching material — the "outlines of the study of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics" — to further study the "Selected Works of Deng Xiaoping" and the theory on building a socialism with Chinese characteristics. Zheng Bijian, executive deputy director of the central propaganda department, was invited to deliver a report specially entitled "Several Ideas About Deepening Theoretical Study."

The meeting was chaired by Li Zhijian, deputy secretary of the municipal party committee. Municipal Leaders Li Qiyan, Zhang Jianmin, Wang Daming, Chen Guangwen, and Zhang Baifa attended the report meeting.

Comrade Zheng Bijian said in his speech: The last five years of this century and the beginning of the 21st century, especially the first 10 years, is the new historical key period for China's reform, opening up, and modernization. Thus, arming the whole party with Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics is of more prominent importance. He said: The task at present is to develop both the range and quality of the theoretical study. According to the guidelines of the party Central Committee and Comrade Jiang Zemin's important instructions made in the previous period, we should attend to the following three important issues: First, we should grasp the scientific system of theories closely in line with the basic theoretical issues of the primary importance. Comrade Jiang Zemin described Comrade Deng Xiaoping's repeated instructions—"first clearly knowing what is socialism and how to build socialism"—as "the basic theoretical issue of the primary importance." Thus, main subject has been defined. He stressed on several occasions that in studying theories, we should continue to carry forward the spirit of emancipating the mind and seeking truth from facts and make efforts to grasp the scientific system of theories. Thus, method has been defined. Continuing to conscientiously grasp the main subject and method is the key to deepening the theoretical study. Second, we should look forward to China's development situation closely in line with the reality of socialist modernization. We should take Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics as a weapon, proceed from the domestic and international situations as well as the work reality of our localities and departments, sum up the present, and look forward to the future. Deepening the understanding about the law governing China's socialist modernization is another major task for deepening theoretical study. Third, deeply in line with the ideologies during the sharp turn in the history, we should strengthen the building of the world outlook, the outlook on life, and the outlook on value. Comrade Jiang Zemin repeatedly stressed that we should link the study of theories with the building of the world outlook, the outlook on life, and the outlook on value. This requirement is of key far-reaching significance to the party's ideological, organizational, and work style construction. This is another major task for deepening the theoretical study. Comrade Zheng Bijian said: Facing the complicated tasks for domestic reform and construction in the last five years of this century and in the initial stage of the next century as well as various risks and tests which will possibly take place, we must

grasp favorable opportunities and arm the whole party with Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. Well building our party into one that is firm and cleans things up in the fields of theory and politics is an absolutely and necessarily fundamental, political, and spiritual condition for welcoming challenges and capturing new and bigger victory.

Comrade Wei Jianxing made a speech at the report meeting. He said: Beijing Municipality has paid attention to the theoretical study and also made appropriate achievements. However, Comrade Deng Xiaoping's theories are of wide and profound significance. We should also make unwavering efforts to really grasp the scientific system governing Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and master the dialectically and historically materialist world outlook and methodology penetrating Comrade Deng Xiaoping's theories. The "outlines of the study of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics," written by the Central Propaganda Department and published and distributed by the central authorities, has provided us with an important supplementary material for further studying the "Selected Works of Deng Xiaoping" and the theory on building socialism with Chinese characteristics. We should conscientiously implement the guidelines of the central instructions on studying the "outlines;" organize the broad masses of cadres and party members, particularly the leading cadres at or above the section level, to conscientiously and deeply study Comrade Deng Xiaoping's works; and bring the study of the "outlines" into line with the plan for studying the theory on building socialism with Chinese characteristics.

Comrade Wei Jianxing stressed: The key to deeply studying Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and studying the "outlines" hinges on the exemplary roles of the leaders at various levels. Leaders of the municipal party committee standing committee and various departments, commissions, and offices; and the key theoretical study groups of the party committees at various levels should realistically make good study arrangements, link theories with practice, and exert more efforts to guide the practice. In line with the 1995 work arrangements of the party Central Committee and the State Council and the guidelines of the central authorities' instructions on the work of Beijing Municipality, we should unwaveringly implement the principle of "grasping favorable opportunities to deepen reform, to expand the scale of opening up, to promote development, and to maintain stability;" accurately handle the relationship between reform, development, and stability; and promote the progress of

various undertakings in Beijing. The study of theories should organically be linked with the fostering of an accurate world outlook and an accurate outlook on life. Comrade Kong Fansen set a good example for us in this regard. Comrade Kong Fansen cannot divorce his conscious persistence in the communist ideals, faithfulness to the undertakings of the party and the people, and wholehearted service to the people from his hard study and his conscientious implementation of Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics and the basic line of the party. Simultaneously, we should conscientiously sum up and draw profound lessons from the cases relating to several persons, including Wang Baosen; put ideological and political construction in the primary position; comprehensively upgrade leading cadres' ideological and political quality; enhance the ability in resisting the influence of negative and corrosive ideas; withstand various tests; and always keep the true qualities of the people's public servants. We should observe Comrade Deng Xiaoping's instructions and regard it as a starting point to think of issues and to handle affairs the question of whether or not the people allow, agree to, and are satisfied at. Studying Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics is an important ideological guarantee for strengthening party building. Whether or not a department, a unit, and a comrade pays attention to theories will be shown sooner or later by the work practice of that department, that unit, and that comrade. I hope that you will further upgrade the awareness of studying theories, strive to grasp the spiritual essence of the theory on building socialism with Chinese characteristics, enhance the awareness of firmly grasping the basic line of the party, better be submitted to and serve the major tasks of the whole party and the whole country, closely rally around the party Central Committee with Comrade Jiang Zemin as its core, and make greater contributions to building the grand undertaking of building socialism with Chinese characteristics and better handling the affairs of Beijing.

Present at the report meeting were responsible comrades of the departments, commissions, and offices under the municipal party committee and government, and of the district and county party committees.

Report on Hebei Budget for 1994, 1995

SK1506223895 Shijiazhuang HEBEI RIBAO
in Chinese 17 Mar 95 p 3

["Excerpt" of report by Zhang Xianpu, director of Hebei Provincial Finance Bureau, on the implementation of Hebei Provincial budget for 1994 and provincial-level and consolidated provincial draft budget for 1995 at the

third session of the eighth Hebei Provincial People's Congress on 20 February; all figures as published]

[FBIS Translated Text] I. The Implementation of the Budget for 1994

In 1994, under the leadership of the Hebei Provincial CPC Committee and the support of the Hebei Provincial People's Congress, all of the people of Hebei have practiced the guidelines set by the third and fourth plenary sessions of the 14th party Central Committee conscientiously. They have worked hard on building up the economy, strengthening the province, getting a grasp on reforms, promoting development, and maintaining stability. Great accomplishment has been made in the national economy and all other undertakings. As a result, new developments have been made on all financial tasks of the province. The implementation of the budget has been good.

1. The implementation and balance of the budget at the provincial level.

The budget for revenues for provincial level approved in the second session of the eighth provincial people's congress was 2,199.52 million yuan. (Included in the amount was 2,139.52 million yuan for regular income and 60 million yuan for constructive income.) In order to solve the problem of paying outstanding wages during the implementation period, all of the resource taxes from provincial level, (which was 50 percent of the total resource taxes), were handed down to cities and prefectures (except for Tangshan city). The original national plan to increase unit tax rate on urban land use tax has not been introduced. The central government has not only lowered the funding for energy, communication, and key construction projects, but also lowered the budget adjustment fund. The standing committee of the provincial people's congress has approved to reduce the revenue budget to 1,968.52 million yuan during its 10th conference. At the end of last year, the central government lowered the funding for energy, communication, and key construction projects as well as the budget adjustment fund by 9.5 million yuan again while the amount of subsidies was increased by 4.87 million yuan to help export trading enterprises. Revenue budget for provincial level was readjusted again to 1,954.15 million yuan. At the end of the year, actual revenues totaled 2,072.56 million yuan, or 106.1 percent of the readjusted budget figure, an increase of 39.1 percent over the previous year. It included regular income of 1,994.16 million yuan, or 104.8 percent of the budgeted figure; and construction income of 78.4 million yuan, or 153.7 percent of the budgeted figure. Regular income included: Industrial and commercial tax receipts totaled 1,375.75 million

yuan, or 99.4 percent of the budgeted figure; income tax receipts from enterprises totaled 661.88 million yuan, or 102.9 percent of the budgeted figure; subsidies to the loss of state-owned enterprises totaled 182.99 million yuan, or 94.1 percent of the budgeted figure; receipts for budget adjustment fund totaled 101.81 million yuan, or 145.4 percent of the budgeted figure; other receipts totaled 31.73 million yuan, or 211.5 percent of the budgeted figure. Construction income included a total of 75.23 million yuan from funding receipts for energy, communication, and key construction projects, which was 147.5 percent of the budgeted amount.

The 1994 provincial-level expenditures budget approved by the second session of the eighth Hebei Provincial People's Congress totaled 2,329.71 million yuan. (It included regular expenses of 1,621.37 million yuan and construction expenses of 708.34 million yuan). After the basic figure was defined for the tax sharing system, the expenditures budget was adjusted to 4,044.38 million yuan. Approval for the budget adjustment was obtained from the standing committee of the eighth provincial people's congress during its 10th conference in October. Due to the fact that the central government increased interest subsidies on funds for reserve grain and cooking oil, as well as risk funds for grain, provincial-level expenditures budget was readjusted to 5,177.84 million yuan at the end of last year. The actual annual expenditures at provincial level totaled 4,198.47 million yuan, or 81.1 percent of the adjusted budget, an increase of 54.1 percent over the previous year. It included regular expenses of 2,322.56 million yuan, or 75.1 percent of the budgeted figure; and construction expenses of 1,875.91 million yuan, or 88.9 percent of the budgeted figure. Items included in regular expenditures were: Expenses for agriculture, forestry, water conservation, weather forecast totaled 95.46 million yuan, or 92.3 percent of the budget figure; operating expenses for departments such as industrial and communication departments totaled 57.34 million yuan, or 95.6 percent of the budgeted figure; operating expenses for commercial departments totaled 7.46 million yuan, or 80.6 percent of the budgeted figure; operating expenses for culture, education, public health totaled 655.26 million yuan, or 95.3 percent of the budgeted figure; operating expenses for science and technology totaled 79.32 million yuan, or 99 percent of the budgeted figure; operating expenses for other departments totaled 444.71 million yuan, or 93.4 percent of the budgeted figure; administration expenses totaled 136.65 million yuan, or 86.9 percent of the budgeted figure; price subsidies totaled 602.17 million yuan, or 52.6 percent of the budgeted figure; expenses for public security, procuratorates, and courts totaled 82.74 million yuan, or 94.5 percent of the budgeted figure. Items included in construction expenditures were: Cap-

ital construction costs totaled 576.72 million yuan, or 94.5 percent of the budgeted figure; expenses for tapping the potential and upgrading technology of the existing enterprises totaled 1,135.67 million yuan, or 93.2 percent of the budgeted figure; expenses for three scientific and technological projects totaled 38.28 million yuan, or 87.2 percent of the budgeted figure; expenses for assisting rural production totaled 65.63 million yuan, or 38.3 percent of the budgeted figure; expenses for supporting undeveloped areas totaled 43.24 million yuan, or 90.3 percent of the budgeted figure; expenses for special funds totaled 4.2 million yuan, or 88.8 percent of the budgeted figure.

Although the actual revenues at the provincial level were higher than the budget by 6.1 percent, which increased our spending power by over 30 million yuan, the implementation resulted in a deficit of 133.8 million yuan. This was because 150 million yuan of resource taxes of the Qianan Mining Industry Corporation of the Shoudu Iron and Steel Complex, which was included in the budget, had not been collected. This deficit will be compensated by clearing the resource taxes owed in 1994 by the corporation.

2. The implementation of the budget for the whole province.

The revenues budget approved in the second session of the eighth provincial people's congress totaled 8,029.51 million yuan. The budget was adjusted to 7,960.14 million yuan at the end of the year because of the fact that the Ministry of Finance lowered agriculture taxes, energy and communication funds, and increased export trading subsidies. The actual revenues for the whole province totaled 9,485.85 million yuan, or 119.2 percent of the adjusted budget figure, an increase of 26.9 percent over the previous year. Main revenue items were: Industrial and commercial tax receipts totaled 6,414.3 million yuan, or 105.1 percent of the budgeted figure; agriculture tax receipts totaled 777.61 million yuan, or 140.6 percent of the budgeted figure; income tax receipts from enterprises totaled 1,722.87 million yuan, or 120.9 percent of the budgeted figure; subsidies to enterprises totaled 762.78 million yuan, or 89.8 percent of the budgeted figure; other income totaled 644.33 million yuan, or 235.4 percent of the budgeted figure.

The expenditures budget approved in the second session of the eighth Hebei Provincial People's Congress totaled 12,874.44 million yuan. Due to the fact that the central government has increased special funds for capital construction, grain, tapping the potential and upgrading the technology for existing enterprises, and agriculture, etc., the expenditures budget has been adjusted to 17,157.9

million yuan at the end of the year. The actual amount of expenditures totaled 15,893.34 million yuan, or 92.6 percent of the budgeted figure, an increase of 11.7 percent over the previous year. The main expenditure items were: Expenses for capital construction totaled 736.43 million yuan, or 95.3 percent of the budgeted figure; expenses for tapping the potential and upgrading the technology of existing enterprises totaled 1,880.28 million yuan, or 95.3 percent of the budgeted figure; expenses for three scientific and technological projects totaled 89.48 million yuan, or 90.9 percent of the budgeted figure; subsidies to rural production and expenses for agriculture, forestry, water conservation, and weather forecast totaled 1,108.78 million yuan, or 84.1 percent of the budgeted figure; expenses for culture, education, and public health totaled 4,862.37 million yuan, or 99.1 percent of the budgeted figure; expenses for scientific undertakings totaled 123.95 million yuan, or 99.1 percent of the budgeted figure; expenses for administration totaled 2,068.87 million yuan, or 97.7 percent of the budgeted figure; public security, procuratorates, and courts expenses totaled 828.41 million yuan, or 99.2 percent of the budgeted figure; subsidies to prices totaled 810.88 million yuan, or 59.3 percent of the budgeted figure. It is necessary to point out that it will be a long time before the actual figures for 1994 can be completed, since it requires more time to calculate financial results of transactions among central government, local government, and different levels in the local government. Therefore, the consolidated balances of actual revenues and expenditures of the whole province will be reported to the Hebei Provincial People's Congress Standing Committee at a later time.

The past year was an eventful year. We have worked on the provincial economy under a lot of national reforms and contradictions. From the perspective of finances and taxes, 1994 was the year when the extent of reform was the greatest, conflict between revenues and expenses was the worst, and responsibility of work was the heaviest. Facing thousands of loose ends, and under such complicated conditions, all levels of governments, and finance, and taxation departments have put forth tremendous efforts. They have persisted in solving conflicts, fought relentlessly, and conquered all difficulties to fulfill the tasks of the budget approved in the second session of the eighth Hebei Provincial People's Congress. Based on the general requirements of reforms, development, and stabilization of the overall situation, we have formulated three reform policies for finance and taxation, and carried them out conscientiously. During the reform process, we have also reinforced our investigation and study so that problems could be found and resolved promptly. Every effort was made to avoid any negative effect on economic development and bud-

get implementation that might arise during the process of change and modification of systems to ensure that stability was provided to the new finance and tax systems. We have made good use of a rare opportunity of the finance and tax system reform to strengthen tax collection and administration vigorously. We have attended to key issues, tackled difficult issues, and guaranteed a steady growth in financial revenues. Also, we have controlled expenditures strictly. Numerous ways and means have been tried to pay wages for public servants and teachers, and to meet emergency needs. We have done our best to support industrial and agriculture production and key construction projects. All of these have made a strong impact on promoting social stability and economic development. In the previous year, our province created six 100 million yuan revenue generating counties (cities), six 80 million yuan revenue generating counties (cities), and 12 50 million yuan revenue generating counties (cities). At the end of 1994, our province already created 14 100 million yuan revenue generating counties (cities), eight 80 million yuan revenue generating counties (cities), and 26 50 million yuan revenue generating counties (cities).

Fellow deputies, while it is sure that we have implemented the budget effectively last year, we are also aware of the existence of many problems and conflicts in our way toward progress and development. From the perspective of the finance and tax system reform, full accomplishment has not been realized. As reforms were made for step-by-step improvement, no overall adjustment has been made to the original profit sharing structure. Contradictions that have been built up over the years could not have been solved in one or two years. Furthermore, new problems have arisen during reform and development. Financial situations, especially for certain counties, have not been improved. Some problems have even become more serious. By looking at the budget implementation results, it is hopeful that revenues and expenditures will balance for the province on the whole. However, many areas have shown deficits. Even in areas where budgets were balanced, there were problems that should have been solved, but have not been tackled due to lack of financial resources. In addition, lax management, loss of revenue, poor performance in application of funds, extravagance, and waste also exist at different degrees. We shall treat these problems seriously and try to solve them earnestly.

II. 1995 Draft Budget for Provincial Level and 1995 Consolidated Draft Budget for the Province on a Whole

Guided by the spirit of the fourth plenary session of the 14th party Central Committee and the central economic

conference, our provincial budgets are formulated based on the following principles: to follow the directions provided by the party Central Committee and the Hebei Provincial Party Committee regarding economic tasks conscientiously, to practice financial measures with proper austerity, and to curb inflation resolutely; to continue to improve and deepen the financial and tax reform and to actively coordinate with the reform of state-owned enterprises and other supplementary reforms; to increase financial revenues to meet with the economic development level by strengthening and improving the finance and tax administration, and by tapping and increasing revenue potentials; and to further adjust the spending pattern and, while ensuring that priority is given to wage-related payments, to increase our input in agriculture and education, to prevent consumption funds from growing too rapidly, and to achieve a financial balance at all levels.

The year 1995 is the first year after the "budget law" has come into effect. According to the requirements of the "budget law," different levels of the local governments have to report on the consolidated draft budget to the people's congress at the same level when it is in session. The people's congress at the provincial level has to examine and approve both the consolidated draft budget for the whole province and the draft budget for provincial level. Draft budgets for local levels below provincial level should be examined and approved by the people's congresses at their respective levels. The "budget law" also requires the expenditures budget to be compiled to reflect austerity and thrift to build a better future for the country. During the formulation of the budget, each level should consider the whole province and plan accordingly. They must ensure all the key projects are covered. By putting reasonable public expense demands of the government as top priority, each government should make proper arrangements to cover different categories of expenditures. Based on the requirements and the budget principles set for this year, we have compiled a draft budget at the provincial level for 1995. Draft budgets below the provincial level have also been prepared by cities and prefectures for the people's congresses at their respective levels to examine and approve.

1. The draft budget for the provincial level.

The budget for total revenues at provincial level is 2,234.25 million yuan, an increase of 7.8 percent over the previous year. It includes regular income of 2,222.05 million yuan, an increase of 11.4 percent; and construction income of 12.2 million yuan, a decrease of 84.4 percent. Included in regular income are: Industrial and commercial taxes total 1,642.54 million yuan, an increase of 19.4 percent; income taxes from enterprises

total 715.02 million yuan, an increase of 8 percent; subsidies to state-owned enterprises total 178.2 million yuan, a decrease of 2.6 percent; receipts from budget adjustment funds total 30 million yuan, a decrease of 70.5 percent; and part of the administration charges are under budget control starting 1995, the budget for such charges is 5 million yuan; other income is budgeted at 22 million yuan, a decrease of 30.7 percent. Included in construction income are: Receipts from energy and communication key projects total 9 million yuan, a decrease of 88 percent; and pollution discharge fees and urban water resources fees total 3.2 million yuan, an increase of 0.9 percent.

The budget for total expenditures at the provincial level is 4,148.01 million yuan, an increase of 11.3 percent over the previous year. It includes 2,373.23 million yuan for regular expenses, an increase of 24 percent; and 1,774.78 million yuan for construction expenses, a decrease of 2.2 percent.

The budget for regular expenditures includes: A total of 125.91 million yuan of operating expenses for agriculture, forestry, water conservation, and weather forecast undertakings, an increase of 2.4 percent. Included in these operating expenses are: Expenses for agricultural undertakings total 11.59 million yuan, an increase of 3.7 percent; expenses for animal husbandry undertakings total 9.58 million yuan, an increase of 4.8 percent; expenses for forestry undertakings total 19.77 million yuan, an increase of 10.4 percent; and expenses for water conservation total 31.98 million yuan, an increase of 8.5 percent. Expenses for operating departments, such as industrial and communications departments, total 66.34 million yuan, an increase of 6.6 percent. Expenses for cultural, educational, and public health undertakings total 718.68 million yuan, an increase of 10.1 percent. It includes: Expenses for educational undertakings total 398.71 million yuan, an increase of 17.4 percent; expenses for cultural undertakings total 21.59 million yuan, an increase of 1.9 percent; expenses for public health undertakings total 90.95 million yuan, an increase of 0.9 percent; expenses for public health care total 85.3 million yuan, maintaining the same level as the previous year; expenses for sports undertakings total 36.69 million yuan, an increase of 2.5 percent; expenses for radio, movie, and television undertakings total 22.44 million yuan, an increase of 2.4 percent; expenses for family planning undertakings total 12.97 million yuan, an increase of 0.4 percent. Expenses for scientific undertakings total 74.61 million yuan, an increase of 3.3 percent. Operating expenses for other departments total 505.86 million yuan, an increase of 29 percent. This increase is mainly due to the fact that a higher amount is allowed for reform and reeducation through labor. Ex-

penses for pensions for disabled and social assistance total 67.65 million yuan, an increase of 13.4 percent. Expenses for militia undertakings total 14.85 million yuan, maintaining the same level as the previous year. Administration expenses total 146.73 million yuan, an increase of 11.2 percent. Expenses for public security, procuratorates, and courts total 63.69 million yuan, an increase of 3.8 percent. Price subsidies total 283.66 million yuan, an increase of 74.7 percent. The increase is mainly due to grain risk funds and subsidies to military grain supplies. Total preparation funds amount to 50 million yuan, which is the same as the previous year.

Included in the budget for construction expenditures are: Expenses for rural production assistance total 252.46 million yuan, an increase of 21.7 percent; expenses for capital construction total 360 million yuan, which is the same as the previous year; expenses for tapping the potential and upgrading the technology of existing enterprises total 1,057.74 million yuan, a decrease of 7.5 percent. The decrease is mainly because the Finance Bureau is no longer responsible for funding the relocation and construction of the Boading Chemical Fiber Factory and payments on guaranteed returns for enterprises on fixed contract have dropped; expenses for three scientific and technological projects total 53.34 million yuan, an increase of 1.9 percent; subsidies to undeveloped areas total 31.24 million yuan, which is the same as the previous year; and temporary housing construction costs total 20 million yuan, which is the same as the previous year.

There are other revenue and expense items. Other receipts include: Taxes collected by the central government to be returned to the province total 2,489.5 million yuan; subsidies from the central government total 110.01 million yuan; and turnover revenues from cities and prefectures total 2,281.52 million yuan. Other distributions include: Taxes to be turned over to the central government total 2,277.73 million yuan and subsidies to cities and prefectures total 689.54 million yuan. By subtracting other expenses from and adding other receipts mentioned here to the total revenues mentioned above, funds available for disposal total 4,148.01 million yuan. By deducting the total expenditures mentioned above from the amount of disposable funds, the budget is balanced.

2. The draft budget for the whole province.

The amount of revenues of the draft budget, compiled according to the "budget law," total 10,280.62 million yuan, an increase of 8.4 percent over the previous year. It includes: Industrial and commercial taxes total 7,276.92 million yuan, an increase of 13.4 percent; agriculture taxes total 777.71 million yuan, which

is the same as the previous year; income taxes from enterprises total 1,944.47 million yuan, an increase of 12.9 percent; subsidies to state-owned enterprises total 754.48 million yuan, a decrease of 1.1 percent; receipts from energy and communication key construction projects, distributed according to the national requirements, total 9 million yuan, a decrease of 88 percent; receipts from budget adjustment funds total 30 million yuan, a decrease of 70.5 percent; other revenues total 364.29 million yuan, (which has included receipts from contracting out the rights to use state land), an increase of 5.7 percent when calculated based on the same specifications.

Total expenditures for the draft budget are 15,352.9 million yuan, an increase of 7.9 percent. Main items of the draft budget are categorized as follows: Expenses for capital construction total 456.03 million yuan, a decrease of 15.1 percent; expenses for three scientific and technological projects total 94.5 million yuan, an increase of 9.3 percent; subsidies to rural production and expenses for agricultural, forestry, water conservation, weather forecast undertakings total 1,119.47 million yuan, an increase of 9 percent; expenses for cultural, educational, and public health undertakings total 4,963.33 million yuan, a total increase of 8.7 percent with expenses for educational undertakings increase by 9 percent; expenses for administration total 1,998.34 million yuan, an increase of 9 percent; and expenses for public security, procuratorates, and courts total 768.46 million yuan, an increase of 10.1 percent.

Taxes collected by the central government to be returned to the province total 7,240 million yuan. Subsidies from the central government total 110.01 million yuan. When adding these two items to the provincial revenues of 10,280.62 million yuan, and then deducting from it the 2,277.73 million yuan of taxes to be turned over to the central government, we have a disposable fund of 15,352.9 million yuan. After subtracting expenditures budget from the disposable funds, the budget is balanced for 1995.

III. Meticulously Organize, Pay Close Attention to Implementation, and Ascertain That the Budget Tasks for 1995 Are To Be Fulfilled

The year 1995 is the last year of the Eighth Five-Year Plan. It is also the year to dovetail the current plan into and lay a foundation for the Ninth Five-Year Plan. This year is a very meaningful year, and we have to ensure that all the budget tasks will be completed. All of the different levels of governments, finance bureaus and tax bureaus must become aware of the situation and build up confidence. We have to be able to see not only financial difficulties that we are facing but the

advantages of progress and development. We shall adopt powerful measures to do a good job in completing each and every one of the financial and taxation tasks.

1. Further promote the finance and tax reforms and ensure effectiveness of the new system. In reforming the tax sharing system, it is necessary to define working rights and financial rights of the different levels of governments. A system to deal with the transferred payment system among governments has to be studied and established. The problems left behind by the old system have to be solved step-by-step. The finance and tax systems adopted by counties (cities) toward towns and townships have to be further promoted and standardized so that the grass roots will be sufficiently aroused in further developing the economy as well as in increasing revenues and decreasing expenditures. The tax system reform has to be further improved. In order to improve the tax system reform, we should find solutions to solve the problems that arose during the implementation of the new tax system. We should standardize the related tax collection policies. We should especially deal with the problems related to small-scale tax payers, and stockpiling and tax owing problems originating from enterprises. Special value added tax vouchers, fraud prevention, fraud detection, and audit systems should be established as soon as possible. We should focus on the three intermediate links, including tax reporting, tax agencies, and tax auditing, when trying to establish and improve the local tax collection and administration systems. With respect to reform in the profit sharing system for state-owned enterprises, we should continue to complete the work in uniting income taxes from enterprises and the original guaranteed returns on fixed contract method. This should gradually enable enterprises to create revenues for the Finance Bureau according to the new tax law. At the same time, finance and taxation bureaus should develop complementary reform in relation to the establishment of the modern enterprise systems and social security system. Our emphasis is to search for a scientifically acceptable method to operate state-owned assets and to improve the administration of them. We should do a good job in clearing assets and checking capital, and to define principal investments of state assets. Financial administration and budgeting policies for state-owned enterprises that are undergoing company system-oriented restructuring should be developed as soon as possible. Also, financial behavior of enterprises during the restructuring should be standardized, and the profit sharing proration should be defined differently under different situations. The financial accounting system and the administration measures for social security funds and related organizations that are operating this funds should be studied and defined as soon as possible. We should set up measures for receipts, distributions, and

operation of social security funds. We should also set up measures for withdrawal and application of the administration fees by the management company of the funds. Budget for social security funds should be studied and compiled and put under the budget administration as soon as possible.

2. Strengthen local financial sources development, work diligently on solving financial difficulties at the county level. We shall continue to insist on "development is the just reason" when dealing with financial problems. The basic way to solve financial problems is to deepen reform, extend opening up, and develop the economy. All localities have to study seriously and to improve policy measures for building up financial resources that conform to national macroeconomic policies and reflect local characteristics. Budgetary and extra-budgetary funds should be gathered and applied rationally. Besides making best use of funds from out of the province and out of the country, we should promote development of financial source targets. To speed up the development of the county economy is not only necessary but urgent in our province. Without rapid development in the county economy, there will be no improvement in our counties' financial performance; without improvement in our counties' financial performance, there will be no improvement in our province's financial performance. Thus, we should treat the development of the county economy and the vitalization of county-level finance as one of the top priorities. Our target is to accomplish and to hold on to the projects, such as relatively well-off project and to "revitalize" established towns. We should further expand the movement in "creating more counties with high revenues, reducing the number of counties which require subsidies, and strengthening tax collection and administration." Our target for this movement is to create two more counties (cities) with more than 100 million yuan in revenues, three more counties (cities) with more than 80 million yuan in revenues, five more counties (cities) with more than 50 million yuan in revenues, and a bunch of towns and townships with more than 10 million yuan in revenues.

3. Practice stronger tax collection and administration, and ensure a balanced budget. The success of the tax system reform and the implementation of the "budget law" have created conditions for administrating finance and tax according to the law. All levels of governments and finance and tax departments should use this as a turning point to strengthen tax collection and administration so that all financial revenues can be collected on time, balanced and deposited into the safe intact. The task to meet revenue targets has to be practiced at every level, including the grass-roots level. Target management by the responsibility system should be adopted

strictly. Audits and inspections should be performed monthly and a strict penalty and reward system should also be in place. Emphasis should be placed on the administration of the two key tax items, value added tax and consumption tax. These two types of taxes are the major parts of the revenues of the central government as well as the local government. Therefore, all levels and all departments must continue to support the state taxation departments to ensure that these taxes are collected and deposited in our safe intact. In the meantime, the administration work on other tax collections, especially income taxes from enterprises, personal income taxes, resources taxes, and agriculture taxes, etc., must not be loosened. We should continue to strengthen tax collection and administration force and work to collect more than our targeted amount. We should put a strong hold on clearing outstanding accounts, adopt a strict system to fine for late payments. We should put forth vigorous efforts to stop new outstanding amounts from incurring and to boost rigidity of the tax law. All levels of governments should not only work well on tax collection of accounts for which the exemption period has expired, but should also disallow any new tax exemption that are not within the tax law. All finance bureaus, state taxation departments, and local tax departments must work together wholeheartedly and other related units, such as banks, state treasury, and enterprises, must also react positively to get tax collection and administration work done properly and to fulfill our revenue tasks completely.

4. Optimize expenditure pattern, ensure enough funds for key expenditures such as wage payments, and administrate expenditures strictly. There are still extreme cases of conflicts between revenues and expenses. We shall take another step to optimize expenditure patterns, to exercise strict administration in expenses, and to tighten up budget control, with a view to ensuring a balanced budget. Correlations among reform, development, and stability have to be handled properly. Financial expenditure is given priority to guarantee wage payments to state employees and teaching staffs, and expenses related to maintaining social order. Special wage account management methods should be practiced in places where there are difficulties in making wage payments. The method requires all receipts to be deposited into a special account first and the account is managed and the money is spent on special items by a special custodian. With ensuring wage payments as a top priority, agricultural expenses are to be paid first. Together with multi-channel fund-raising measures and rational fund applications, there should be enough money to support agriculture promptly. In turn, it will encourage stable growth of agricultural by-products and effective supplies in the market. We should put forth our greatest

efforts to support education, science, technology, and key construction projects, and to improve conditions of the infrastructure facilities in our province. At the same time, we should continue to exercise strict control in other expenditures, to break away from the method of adding increased amounts to the base, and to introduce "zero-base budget." We should focus on cutting expenses in personnel, motor vehicles, and conferences. We should exercise tight control in hiring and streamline administrative staffs according to our target. We should exercise strict control in buying small vehicles for administration units and institutions. All departments and all units at all levels should always keep in mind that the budget is tight. We resolutely oppose overspending and compete to own more blindly. All engagements of extravagance and waste must be stopped.

5. Further improve the legislation system for finance and taxation, straighten up financial and economic order. It is a must to make the legislation system for finance and taxation more perfect before the socialist market economy can be established and developed. Our province, in carrying out the task of improving the legislation system for the finance and taxation system, will focus on the implementation of the "budget law" and the new tax system this year. We shall treat all cases strictly according to the law. All levels of governments should work based on the principle of balancing the budget and try not to incur any deficit as planned in the draft budget at the beginning of the year. The implementation procedures cannot be changed without going through legal procedures once the budget has been finalized. We have to be firm in compiling and executing the regulations and application rules that are related to the national financial and taxation laws. We should also do an overall review on the implementation of the various laws regarding last year's finance and tax reforms. While doing supervisory and inspection job well on a daily basis, we should also continue to perform well in tax collection, financial affairs, price checking in a big way, and making full use of intermediate social organizations, such as the Association of Chartered Accountants, accountants' offices, tax agencies, etc., to strengthen supervision in financial affairs. We have to focus our strength on blowing out tax avoidance, tax evasion, and tax frauds. Typical cases must be taken seriously, tax laws must be applied strictly, and all loopholes that cause tax revenue losses must be plugged resolutely.

Hebei Governor on Environmental Protection

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[FBIS Translated Text] Governor Ye Liansong delivered a speech at the provincial environmental protection work meeting that concluded on 2 May. The excerpt is as follows:

1. We should have a clear understanding of our province's situation in environmental protection and upgrade the sense of responsibility and urgency of achieving success in environmental protection work. Under the leadership of the party committees and governments at all levels, Hebei's task of environmental protection achieved some results in recent years. However, the problem of environmental pollution is still very serious. It has not only affected the continuous, speedy, and healthy development of the economy, but also directly endangered people's health. It has become one of the sensitive problems affecting social stability, and has brought unfavorable influence to Hebei's reform, opening up, and economic construction. Besides historical factors, we owe this situation to four reasons: 1) Some leaders' awareness of the national policy of environmental protection was blunted. 2) The funds invested on controlling pollution were few. 3) Environmental administration technology was not qualified. 4) The momentum to enforce the law on environmental protection was not enough. It is imperative for leaders at all levels to attach great importance to these problems, continue to upgrade the sense of responsibility and urgency of the work of environmental protection, and exert down-to-earth efforts to achieve success in the environmental protection work, which is of great importance.

2. Governments at all levels should conscientiously perform their duty and achieve success in carrying out the fundamental national policy of environmental protection. Protecting the environment is a fundamental national policy of our country, and is also a significant duty for governments at all levels. At present, to improve the task of environmental protection, governments at all levels should achieve success in five tasks. First, we should achieve success in achieving our targets and responsibilities. Governments at all levels of the province, city and prefecture, county and city [shi 1579], and township and town should include environmental protection work in the important agenda and really take responsibility for local environmental protection. We should conscientiously insist on the responsibility system for fulfilling environmental protection targets. From this year, environmental protection has been listed as one of the important criteria for the provincial party committee and

provincial government to assess the real performance of the leading bodies and leaders of cities and prefectures. It has also been stipulated that the real performance of a leader will be esteemed as poor if the leader fails in two of the four criteria of environmental protection, family planning, comprehensive administration of public security, and educational development. At the end of this year, the provincial party committee and provincial government will comprehensively and strictly conduct assessments.

Second, we should achieve success in carrying out policies and measures. We should insist on unifying economic, environmental, and social benefits; protect the environment; and achieve the everlasting use of resources. It is imperative to fully exercise economic, legal, and necessary administrative means to do a good job in protecting resources and environment. We should establish and improve scientific regulations and systems for environmental protection as well as a local standard system, and should perfect and implement effective management systems and measures in an effort to change the focus of pollution prevention from density control to overall quantity control. For those newly-begun projects, we should ensure their pollution control facilities are designed, constructed, and put into operation at the same time as the mainstay construction. For those enterprises that create pollution, cities, prefectures, and departments should all put forth their own opinions for administration, and should conscientiously succeed in implementation.

Third, we should achieve success in building organizations. At present, the main reason contributing to the failure of controlling the pollution of township enterprises is that environmental protection organizations at the county level cannot adapt themselves to this task. In the organizational reform this year, cities at county level and the counties of the first category, in line with the requirement of the provincial party committee's relevant documents, should establish an environmental protection bureau under the government. Those counties with prosperous industries, with heavy environmental protection duties, or that are located in a sensitive environment, can establish environmental protection bureaus in line with its quota for organizational establishment. The other counties should follow the requirements of the "Hebei Environmental Protection Regulations" to establish environmental protection organizations that are qualified to enforce the law independently, and should select personnel who have a strong sense of responsibility, good professional proficiency, and understand the knowledge of environmental protection to replenish the environmental protection contingent.

Fourth, we should achieve success in investing funds. All cities, prefectures, counties, and cities [shi 1579] should arrange environmental protection by including it in local five-year and annual plans for national economic and social development. We should increase the investment of environmental protection funds step by step, and strive to reach the national average level after three year's of hard work. We should also use foreign funds in an active and effective manner. At present, the Asian Development Bank, the World Bank, and the banking organizations of some countries are all willing to give priority to lending our countries loans for environmental protection. It is imperative for us to firmly grasp the opportunity to introduce foreign funds and strive to largely improve the quality of Hebei's environment.

Fifth, we should achieve success in propaganda and education. We should not only depend on environmental protection departments to do the task of environmental protection, but we should also mobilize all departments, all fields of society, and all masses to actively support and participate in the task. Propaganda departments and press units at all levels should take publicizing environmental protection as an important duty and should make great efforts to publicize the laws and knowledge on environmental protection. Schools at all levels and of all kinds should improve their education on environmental protection; some of them should increase the curricular on the knowledge on environmental protection. Through extensive propaganda and education, we should form in the entire society a new trend that it is a shame to pollute the environment and is an honor to protect the environment.

3. We should increase the momentum to enforce the laws on environmental protection. It is imperative for us to conscientiously implement the laws and regulations on environmental protection that have been issued by the state and the province, and to resolutely change the situation in which the laws are not abided, law enforcement is not strict, and unlawful cases are not handled. Especially the county and township leveis should attach great importance to it.

First, environmental protection administrative departments should take strict law enforcement as their own fundamental duty, dare to enforce the law, and dare to handle the toughest cases. For those enterprises that cause serious pollution to affect a river basin or an area, and which do not include the pollution in the control plan or do not have mature pollution control technology, we should make up our mind to close them and suspend or change their production lines. For those enterprises that have unreasonable layouts, harass and harm the people, or are unable to resolve problems for the time being,

we should make up our mind to relocate them. For those enterprise with serious pollution problems and whose pollutant discharge fails to meet standards, we should set a time limit for them to improve and meet the standard.

Second, leaders at all levels should make great efforts to support environmental protection departments to strictly enforce laws. The leading comrades of governments at all levels should listen to the work reports by environmental protection departments, support environmental protection departments in doing things according to law, and refuse to intercede for law-breaking units and individuals that affect law enforcement. It is imperative to resolutely ban the practice of substituting laws with power or words. The planning commission and departments of economy and trade, of industry and commerce administration, of township enterprises management, and of environmental protection should strictly follow the relevant regulations of the environmental protection laws when examining and approving projects. We should conscientiously appraise environment affection and implement the system of ensuring environmental protection administration facilities are designed, constructed, and put into operation at the same time as mainstay construction. We should make those people who are against the law hold themselves responsible.

Third, we should strengthen the law enforcement of counties and cities, and townships and towns. It is imperative to pay attention to the pollution of newly-begun projects of township enterprises. All projects should be examined and approved by environmental protection departments. We should resolutely ban projects that are banned by the state's formal decree, and proscribe projects that seriously produce pollution, such as refining oil, coking, and extracting sulfur with local methods. All localities are forbidden to take over projects that are transferred from several especially large cities and create high pollution.

Fourth, we should continue to achieve success in this year's large inspection on the law enforcement of environmental protection and the activities of Hebei environmental protection trans-century campaign. For those problems discovered while enforcing the law, we should conscientiously conduct inspections again, commend those who have resolved problems, and report to the higher level and criticize those passive in controlling pollution. For those who perform their duty in a perfunctory manner and do not follow the opinions of the law-enforcement inspection group, we should seriously handle them according to the environmental protection law. Through the large inspection of the law enforcement of environmental protection, we can resolve some conspicuous environmental protection problems.

Inner Mongolia To Build Wind-Power Station

*OW2106080595 Beijing XINHUA in English
0733 GMT 21 Jun 95*

[FBIS Transcribed Text] Hohhot, June 21 (XINHUA) — China has introduced nine sets of 600-kw wind-driven generators from Denmark in accordance with an agreement to build a large wind-power station in Xilinhot City in the central part of the Inner Mongolia Autonomous Region.

The generators, with diameters of 43.4 m, are the largest in the country in terms of capacity.

The generating sets have a total annual power output of 16.2 million kwh when in full operation.

The generators, which are being installed at present, are expected to go into operation by the end of this year.

According to a local official, Xinlinhot City, located on the Xilin Gol grassland, is one of the richest places in the country in terms of wind-energy resources. Its annual average wind speed is six m per second and the effective wind energy can reach as high as 249 w.

The local official said that since 1989 Xinlinhot has introduced altogether 28 sets of wind-power generators from the United States, Germany and Denmark and has built two large wind-power stations.

Northwest Region

Armed Rebellion Reported in Xinjiang

*HK2106102695 Hong Kong TUNG HSIANG
in Chinese '5 Jun 95 No 118, pp 13-14*

[Article by Yue Shan (1471-1472): "Fifty Thousand Xinjiang People Participate in Armed Rebellion"]

[FBIS Translated Text] Turmoil in Six Cities in Ili Prefecture

On 22 April, over 50,000 Kazak and Uygur nationality residents in six cities — Zhaosu, Tekes, Gongliu, Xinyuan, Nilka, and Qapqal in Ili Prefecture — held antigovernment rallies and demonstrations and handed in petitions to local governments. On 24 April, when the antigovernment movement reached its high point, strikes by workers, teachers, and shopkeepers broke out, involving 100,000 people. The demonstrators flaunted banners reading "set up a Kazak state," "put an end to communist rule over Xinjiang," and "long live Uygur Xinjiang." Some people even openly chanted slogans demanding that Ili Prefecture be merged into Kazakhstan.

Over 220 Are Killed or Injured in Zhaosu and Gongliu Cities

On 24 April, over 3,000 residents of Zhaosu and Gongliu surrounded local governments, drove trucks at local public security organs, plundered guns, and stole patrol wagons. The Zhaosu Government building was robbed of everything.

The same evening, public security and the Armed Police used armored cars to disperse the residents surrounding the urban government buildings. Then a battle broke out between the two parties. Some residents opened fire with Soviet-made portable machine guns. The two parties fired a total of 8,500 rounds, killing or wounding over 220 people.

Also the same evening, the Xinjiang Military Region sent two regiments of soldiers to Zhaosu and Gongliu from Yining and Bole to reinforce local Army units. On 25 April, a curfew was imposed in Zhaosu and troublemakers were tracked down and over 80 arrested.

Soldiers Stationed in Tekes City and "Rebels" Are Locked in Battle

On 25 April, over 500 armed residents in Tekes City drove over 40 vehicles of all sorts, big and small, to the local government buildings to rob the government warehouse, making off with light industrial products, grain, and cooking oil, as well as gasoline for use in the event of natural calamities. On their way back, they were stopped by locally stationed Army units. The two parties argued and then exchanged fire. During the battle, which lasted about half an hour, over 160 were killed or wounded, including 32 soldiers.

"Three Strikes" and "Three Cut-Offs" in Nilka and Qapqal Prefectures

Nilka and Qapqal Prefectures witnessed the most serious situations. On 22 April, local people held rallies and demonstrations. The next day, they went to the urban government buildings to stage a sit-in. On 24 April, they organized strikes by workers, teachers, and shopkeepers and cut off supplies of power, water, and gas. On the morning of 25 April, the masses surrounded the urban government buildings and in the afternoon broke into and occupied them. Around evening time, they broke into local public security and Armed Police offices. The police opened fire to dispel them. About 3,000 people

surrounded local barracks, demanding that "the Han people" quit Xinjiang and that a Uygurstan state be established. The locally stationed Army units ordered the people surrounding the barracks to withdraw by 2100 and surrender their weapons; otherwise they would take action against them. The masses demanded that the police who had opened fire be prosecuted, and threatened to break into the barracks.

Emergency Instructions From the Central Military Commission

On 25 April, the CPC State Council and the Central Military Commission issued emergency instructions to the Xinjiang Uygur Autonomous Regional CPC Committee, the regional government, the Lanzhou Military Region, and the Xinjiang Military Region, telling them to resolutely, thoroughly, and rapidly put down armed rebellion organized by splitists and to resolutely crack down upon those organizations attempting dismemberment and those organizations masterminded and supported by foreign forces according to law.

In line with the instructions, the Lanzhou and Xinjiang Military Regions sent the 20,000-strong crack 33d and 41st divisions by rail and by air to Ili Prefecture, as speedily as if war were imminent. On the morning of 26 April, the military imposed a curfew in Nilka, Qapqal, Xinyuan, and Zhaosu and used propaganda cars equipped with loudspeakers, with armored cars clearing the way, to shout propaganda at the people surrounding the urban government buildings, ordering them to lay down their guns and surrender.

Luo Gan and Li Jing Arrive on the Scene in Person

In the meantime, armed conflicts occurred in places where public security and Armed Police were stationed or had barracks. The conflicts lasted over 40 minutes, leaving 88 killed and over 200 wounded. During the armed conflicts, local residents fired rifle grenades at barracks and places where public security and armed police were stationed, causing casualties. The rifle grenades, about 120 rounds, had disappeared from the possession of locally stationed soldiers before the incidents. During the turmoil, Luo Gan, secretary general of the CPC State Council, and Li Jing, deputy chief of General Staff, arrived on the scene in person. Liu Jingsong, secretary of Xinjiang Uygur Autonomous Regional CPC Committee [as published] and commander

REGIONAL AFFAIRS**FBIS-CHI-95-119
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of the Lanzhou Military Region, was also in Yining to issue commands. Where Did the Principal Cause for the Turmoil Lie?

According to the authorities, the turmoil and armed rebellion were masterminded and instigated by forces outside the borders. These forces utilized relations between various nationalities to create and intensify

contradictions, which finally led to armed rebellion. However, this is the official interpretation. It is generally believed that the turmoil was mainly caused by Kazak and Uygur nationality residents' dissatisfaction with communist rule. If they did not think that way, who could have provoked large-scale rebellion?

Editorial Views Mainland's Talks Postponement

*HK2006140995 Hong Kong WEN WEI PO in Chinese
17 Jun 95 p A2*

[Editorial: "Atmosphere of Wang-Koo Talks Is Damaged by Taiwan"]

[FBIS Translated Text] The Association for Relations Across the Taiwan Strait [ARATS] wrote a letter to the Strait Exchange Foundation [SEF] yesterday, informing the latter of the forced postponement of the second Wang-Koo [Ku] talks and pertinent preparatory consultation on the talks because the Taiwan side has taken a series of actions to undermine relations between the two sides of the Taiwan Strait, which has seriously affected the talks and pertinent consultation.

Taking advantage of his visit to the United States, Li Teng-hui flagrantly created two Chinas recently, and internationalized the Taiwan issue in an attempt to invite foreign forces to obstruct the cause of the motherland's peaceful reunification. This has seriously hurt the feelings of the Chinese nation in safeguarding its sovereignty and territorial integrity.

The affair of the Chinese on both sides of the strait can be settled perfectly through direct dialogues. However, Li Teng-hui made the family affair an international one. He went to the United States to collaborate and talk joyfully with the anti-Chinese politicians, to strive for their support and recognition, to preach "sovereignty," to make himself important by flaunting his foreign connections, to invite wolves into the house, and to beg foreigners for their agreement and involvement in his proposition of "meeting Jiang Zemin on an international occasion."

If the Chinese want to see each other, they can meet at any time, and they can discuss anything as long as they go across the strait. Suffice to say that the atmosphere across the strait has been relaxed in the previous stage, contacts among the people have increased, and trade between the two sides has become frequent. If Li Teng-hui wants to meet Jiang Zemin, there is no difficulty at all. Why did he abandon the right course and complain to foreigners about being unable to "meet Jiang Zemin on an international occasion?" By stressing the "international occasion," he simply wants for Taiwan to be treated as a "sovereign state." As mainland China is a sovereign state, he should not have publicly turned China's internal affair into an international one, or brazenly invited foreign forces to support his activities of splitting the national territory. Naturally, this will undermine the peaceful reunification of the motherland, create obstructions and contradictions, and affect the original consultation process. Under the one-China

principle, anything between the two sides of the Chinese can be talked over and negotiated, and on no account will the mainland resort to force. Taiwan has always been China's territory, but it will become another country if it is separated from China. This will spoil China's sovereignty and territorial integrity. Hence, the Chinese Government must adopt a serious attitude of opposition toward such an action, and must not, under any circumstances, treat it over-leniently. Li Teng-hui's activity of splitting the country while in the United States signaled Taiwan's change of policy, which also has poisoned relations across the strait. He has taken an antagonistic attitude toward the mainland's sincerity in seeking the motherland's peaceful reunification. If Beijing did not take measures to stop him, and did not put off the Wang-Koo talks and pertinent consultations, it virtually would have meant conniving at and tolerating the adverse current of splitting the country which has emerged in Taiwan. This is detrimental both to the overall situation of the reunification cause, and to the normal development of relations across the Taiwan Strait.

Cross-strait relations should proceed toward the goal of reunification. Any attempt to lead cross-strait relations according to the pattern of relations between "two sovereign states" will be resolutely opposed by the Chinese people. It is regrettable that when Beijing solemnly criticized Li Teng-hui's erroneous words and deeds during his visit to the United States, and when it sounded the warning, Taiwan did not repent and return from its wrong course, but sent Lien Chan, "president of the Executive Yuan", to visit Austria and to create the fission of the country through its so-called "private-visit diplomacy." It has been reported that Lien Chan will play the old trick of "money diplomacy," and will buy arms from some European countries so as to create a false image that Taiwan is a political entity. This demonstrates that Taiwan will still obstinately peddle its "two Chinas," and will go further and further along the road of splitting the country.

The deterioration of cross-strait relations was caused solely by the Taiwan side. Recently, the Taiwan authorities staged a series of large-scale "military exercises," which were aimed at the mainland, and deliberately created a tense atmosphere across the strait. The previous good and relaxed atmosphere was spoiled by the display of guns and artillery. Taiwan wants to flaunt its strength, and it works persistently for fission and divided rule. So how can it have any sincerity in the improvement of cross-strait relations? It is still more unbearable that Li Teng-hui recently used vicious words to attack the mainland, advocating fission, calling Taiwan "the father," and scolding the mainland as "the son."

He lacks political common sense by completely denying that Taiwan has been Chinese territory since ancient times, disregarding the national cause of righteousness, and forgetting his own ancestors. What is more, he even humiliated national dignity in an arrogant and skittish manner. Since Taiwan has taken action to disrupt cross-strait relations, it must bear responsibility for the consequences. Whether the ARATS and the SEF can resume consultations for the Wang-Koo talks will depend on Taiwan's future performance, and will rest in whether or not it will adopt measures to remedy its errors. The masses from both sides of the Taiwan Strait, who call for peaceful reunification, certainly will continue to denounce Taiwan's perverse acts, push forward the cause of peaceful reunification, and give impetus to the healthy development of cross-strait relations.

Commentary Views Li Teng-hui's Intentions

OW2006132195 Beijing Central People's Radio in Mandarin to Taiwan 2200 GMT 18 Jun 95

[Station commentary; from the "News and Current Events" program]

[FBIS Translated Text] Dear listeners: Li Denghui's [Li Teng-hui's] visit to Cornell University and the speech he delivered there have stirred up a great disturbance at home and abroad. People have pondered, commented, and analyzed the event from various perspectives. Station editor (Sheng Min) recently wrote a commentary article, "Now That It Is a Period of Consultation, Why Is It Necessary To Rely on Others for Support?" The article reads:

Dear listeners, after CPC General Secretary Jiang Zemin announced his eight-point proposals on the Taiwan issue early this year, Lian Zhan [Lien Chan], head of Taiwan's Executive Yuan, pointed out in a response-style speech: Relations between the two shores have entered a period of consultation. The two sides should step up contacts and communication and increase working-level consultations and dialogue to resolve existing and emerging problems in cross-strait relations. His view is wise and has positive significance. The fact indeed is like this: With development over the last 11 years, a quite good foundation has been established for building relations between the two shores — cross-strait economic relations have further developed, exchanges in various fields have increased day by day, good progress been made in working-level talks between the two sides, mutual understanding and communication between them have continued to deepen, and their common understanding and mutual trust have strengthened.

In this situation, the mainland and the majority of insightful people inside and outside the country had

hoped that Taiwan, in a spirit of taking care of our own business, would increase contacts, consultations, and communication with the mainland in the economic and trade fields and at the political level, so that both sides, through continued negotiations, could seek common ground, enhance mutual trust, and properly handle their differences and contradictions. By doing so, people on both sides of the strait and the Chinese nation would be blessed.

However, judging from Li Denghui's words and deeds over the past year, people cannot but feel that he has not recognized this development and does not know what should have been done to properly handle cross-strait relations that have entered a period of consultation. In recent years, Li Denghui has felt that the initial accomplishment of constitutional reform in Taiwan has brought him quite a good reputation. At the same time, he also realizes some major Western countries' unwillingness to see China's rising and the huge potential of economic unification between the two shores and Hong Kong, and their attempt to use Taiwan to check China. At the instigation of these Western countries, Li Denghui has continued to pursue the independent-Taiwan policy and has frequently made splittist moves, and has gone further to challenge the lawfulness of one China, suddenly igniting the tinder of conflict between the two shores. For example, he has used economic interests to lure South Africa and some Middle East and African countries to establish formal or informal diplomatic relations with Taiwan; he has conducted diplomacy in various forms and visited some Southeast Asian and Middle Eastern countries in various capacities; and he has stirred up some Central American nations to bang the drum for Taiwan in the United Nations. Finally he went so far as to visit the United States regardless of the consequences. Besides, Jiang Zemin's eight-point proposals clearly indicate the new significance and breakthroughs of the Mainland's policy toward Taiwan. They indicate that the Mainland has realized the progress in Taiwan's democratization and its efforts to make the island more Taiwan native-based; and they express the Mainland's willingness to negotiate and consult with Taiwan on all kinds of matters and issues within the one-China framework. The proposals constitute a stable foundation for progress in cross-strait relations because the Mainland does not seek instant political reunification between the two shores but only asks that the two sides communicate and consult with each other and realign themselves under the premise of not splitting and reunification.

All these new ideas offered and breakthroughs made by the mainland need Taiwan's goodwill response. However, Li Denghui might not have noticed the

Mainland's new ideas and the breakthroughs it has made, or he might have ulterior motives. Anyway, regrettably, people did not find any goodwill in his six-point response. Li Denghui has missed the best opportunity for developing relations between the two shores.

Issues between the two shores should be resolved through consultations between them. Even political differences should be resolved through political talks under the one-China principle. There is no need to enlist foreign hands to interfere in our own business. This is the only correct way to handle business between the two shores in a period of consultation. The Taiwan authorities have continued to refuse to communicate with the mainland; on the contrary, they have used foreign forces to deliberately stir up disturbances and create conflicts in the international arena. Such action runs counter to the Taiwan authorities' assertion that cross-strait relations have entered a period of consultation.

A while ago, Li Denghui used double-faced tactics on the issue of reunification and Taiwan independence, puzzling many people who [words indistinct] him. As a result, a recent poll in Taiwan showed that as high as 45 percent of the people in Taiwan still did not know his stand on the issue of reunification and Taiwan independence. Now people completely know his intention — his strategy is to split China and leave the Mainland and Taiwan separately governed, and to play for time, waiting for changes. Many people have held that Li Denghui's numerous major moves over the past year were aimed at building up his personal reputation before next year's presidential election. However, Taiwan's Lien Ho Pao [words indistinct] if Li Denghui chose to create conflicts to play hero and decided to abandon the arduous task of pursuing peace.

An overseas Chinese newspaper recently published an article saying that currently mutual trust is the thing that is most needed between the two shores, and Li Denghui's words and deeds have seriously undermined and harmed the already weak mutual trust between them. People cannot imagine, if things go on like this, how Li Denghui will be able to face future cross-strait relations and the fundamental interests of the 20 million people in Taiwan.

Commentary Views Taiwan Military Exercises

OW2006123695 Beijing Central People's Radio in Mandarin to Taiwan 2200 GMT 19 Jun 95

[Announcer-read commentary by (Zeng Tao): "A Dangerous Move"; from the "News and Current Events" program]

[FBIS Translated Text] Listener-friends: The Taiwan authorities have recently staged a series of military exercises. On this, Mr. (Zeng Tao) of Wuhan city, Hubei Province, has written the following commentary, entitled "A Dangerous Move":

Recently the Taiwan authorities successively staged military exercises under the code names of No. 6 Pingshi [Pingshih], Qianfeng [Chienfeng], No. 2 Kunlun, and No. 7 Tongxing [Tunghsing]. The exercises' scale, venue, and frequency have rarely been seen in recent years; therefore, they merit our keen attention.

A review of the Taiwan authorities' recent military exercises shows that they were conducted in accordance with the strategic guidelines laid out in the Second Defense White Book, published by the Taiwan authorities last year, which made the motherland's government their imaginary enemy. The Taiwan authorities attached great importance to these military exercises. In order to boost the military's morale, Li Denghui [Li Teng-hui] led political leaders and senior generals in personally attending the exercises. He repeatedly emphasized: To counter the Chinese Communists' air raids, we must make sufficient preparations and must maintain a powerful combat capacity.

In an important speech on the Taiwan question made on the eve of the Spring Festival, President Jiang Zemin proposed an early end to the state of hostility between the two sides of the Taiwan Strait. The proposal has received a positive response from the descendants of the Yan Di and Huang Di at home and abroad. Under pressure from various circles, the Taiwan authorities incrementally lifted restrictions on cross-strait economic, trade, cultural, and science and

technology exchanges; implemented specific measures for accelerating economic exchange and trade between the two sides; and declared that cross-strait relations had ushered in a period of consultation. The two sides reached consensus on consultations for holding the second Wang-Gu [Ku] meeting, and new vitality was injected into the development of cross-strait relations.

Under such circumstances, why did the Taiwan authorities stage a series of military exercises even at the risk of worsening the gradually relaxing cross-strait relations? They were essentially aimed at supporting the Taiwan authorities' position on the Republic of China [ROC] on Taiwan and on the split and separate rule of the two sides. While accelerating the development of cross-strait

economic and trade exchanges, the Taiwan authorities have obstinately clung to the ROC on Taiwan in an attempt to seek the legal status of an independent political entity. By holding a series of military exercises and emphasizing the need to enhance their overall combat capacity, the Taiwan authorities want to show off their military strength and use it as a shield to confront and bargain politically with the motherland's government while creating the momentum to safeguard the ROC on the island. The Taiwan authorities must be held responsible for playing with fire, which has worsened cross-strait relations and intensified tensions in the Taiwan Strait.

'Major' Cabinet Reshuffle Likely in September
OW2106060595 Taipei CNA in English
0111 GMT 21 Jun 95

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, June 20 (CNA) — A major cabinet reshuffle is likely in early September, aimed at strengthening the hand of the ruling Kuomintang in the run-up to the year-end parliamentary and next year's presidential elections, sources from the Executive Yuan reported Tuesday.

The reshuffle, most likely to be carried out after the KMT holds a national senior members conference at the end of August and before the Legislative Yuan convenes a new session in September, is expected to bring new vision and new hope to the cabinet in the wake of fast changes in the domestic political situation and cross-Taiwan strait relations, high-ranking Executive Yuan officials said.

The KMT last reshuffled the cabinet after the landmark Dec. 3 elections for Taiwan provincial governor and Taipei and Kaohsiung mayors as part of its efforts to cope with the changed domestic political situation.

The ministers of foreign affairs, education, and economic affairs are expected to be changed in the reshuffle, as are the heads of the agricultural, environmental protection and nuclear energy councils. The new appointees are expected to have "stronger mobilization power, the solid backing of the people, and fresh images," according to the officials.

KMT Secretary-General Hsu Shui-te and Executive Yuan Secretary-General Chao Shou-po both said they knew nothing about plans for a reshuffle.

Meanwhile, the Ministry of Foreign Affairs declined to comment on the rumors, only saying that Foreign Affairs Minister Chien Fu, who is visiting the United States, would meet the press on Friday after he returns and may answer questions about any possible reshuffle.

Chien, who turns 60 this year, assumed his post in June 1990. The veteran diplomat, who has worked in the government service for 36 years, has recently expressed a willingness to leave his job due to "the increasingly ambiguous perception of national identification in Taiwan," which reportedly has agonized him profoundly.

Chien was given high marks in several recent polls for steering Taiwan's diplomatic efforts, particularly its push for President Li Teng-hui's U.S. visit.

Economic Affairs Minister P.K. Chiang would not confirm that he would be replaced. He said he has so

far received no hint of an impending change or any instructions about it.

A puzzled Chiang, who has recently strongly denied rumors that he will be appointed to head the Taipei Trade and Cultural Office in Japan, also refused to speculate on the matter.

It has also been reported that Chiang will assume the position of chairman of Taiwan's top economic planning agency, the Council for Economic Planning and Development, which has been vacant for several months.

Lien Chan Hails Nation's Educational System
OW2106060595 Taipei CNA in English
0201 GMT 21 Jun 95

[FBIS Transcribed Text] Prague, June 20 (CNA) — Premier Lien Chan of the Republic of China [ROC] said Tuesday that the ROC on Taiwan is the first democracy in Chinese history established by the Chinese people enjoying education, wealth, and freedom.

In a speech delivered at Charles University, the Czech Republic, Lien said that the only naturally abundant resource in Taiwan is brainpower, and that by providing the people in Taiwan with equal access to a quality education, the ROC on Taiwan has been successful in economic development and democratic reform.

Following is the full text of Premier Lien's remarks:

President Maly, members of the university, distinguished guests, ladies and gentlemen:

My wife and I are privileged to be able to visit your lovely country, and I am deeply honored to be awarded this medal by Charles University.

Thank you very much for the gracious hospitality you have extended to us today.

Visiting one of the most reputable institutions of higher learning provides me with an opportunity to reflect on the relationship between universities and society at large, and particularly on the trinity formed by education, development, and democracy.

I do not know if you have heard much about the Republic of China on Taiwan. It has been widely reported that we are the world's 14th largest trading nation and the first ever representative democracy established by the Chinese people.

What is less commonly acknowledged is that we owe our success in development and democracy to our early investments in something even more fundamental, education.

For thousands of years, educated scholars have been revered by the Chinese people. When the Republic of China was established in 1912, it inherited this age-old commitment to education.

Article 164 of the ROC constitution directs the government to spend at least 15 percent of the national budget on education.

The ROC constitution also states that ROC citizens are not only entitled to a free education but also obliged to receive it.

It hasn't always been easy for the Republic of China to live up to its commitment to education. When the Japanese returned Taiwan to the Republic of China at the end of World War II, the island had been ravaged by allied bombing and stripped of its wealth by the Japanese war machine.

Taiwan was an agricultural backwater, where the main products were sugar, bananas, and rice. And yet, when money was at its tightest, the ROC Government still had the foresight to invest as heavily as it could in education.

The results have been truly remarkable. In 1951 less than 45 percent of the populace could read or write. Now our literacy rate is 94 percent.

Last year, approximately two out of every five graduating high school students continued their studies at one of the nearly 60 universities and colleges on the island.

The ROC's education system has also recorded some other very significant successes. I am very glad to report, for instance, that one out of every four people in Taiwan is, at this very moment, enrolled in school.

The ratio of women to men in university enrollment has been growing and currently stands at 40/60.

The number of students enrolled in masters and doctoral programs has rapidly increased as well, with nearly 40,000 people in Taiwan pursuing advanced degrees in 1994.

Advances in education have, to a large extent, propelled economic development.

In 1951, Taiwan's per capita income was still under US\$200. Economists predict it will surpass US\$12,000 this year.

Already, we have accumulated over US\$100 billion in foreign currency reserves, and just last week our government accounting office announced that we are the 12th largest source of outgoing investment in the world.

The Taiwan experience shows that widespread education and economic development bring calls for greater political freedoms.

By the mid 1980s, the people of Taiwan were enjoying universal access to education and unprecedented prosperity.

It is not surprising, therefore, that the people and the government began to realize increased democratization was best for Taiwan's long-term economic health and political stability.

On October 7, 1986, president Chiang Ching-kuo declared that ROC government would lift the emergency decree that had legalized "martial law" in the Republic of China on Taiwan for almost forty years.

Since that momentous decision, Taiwan has moved rapidly toward democracy, with regular and frequent elections, vigorous opposition parties, and universal suffrage.

At the end of this year, the 21 million people in the Republic of China on Taiwan will elect the third Legislative Yuan, and next year, we will hold the first ever direct election of the president in the history of Chinese people.

Of course, democracy is more than the holding of elections. It is the creation of an open and pluralistic society.

In my experience, democracy entails rewriting laws, restructuring the government, and reducing government control over the private sector. Such major undertakings require careful planning and gradual implementation.

One of the most important steps we have taken to promote democracy in Taiwan has been to modify the ROC's law on universities.

To indicate the significance of the newly amended law, I would like to give you some background information on the way colleges and universities have been traditionally administered in the ROC.

In the past, the Ministry of Education controlled private and public institutions in many ways. For example, the ministry determined the number of students admitted by each school and managed the hiring of college teachers as well.

Any new academic department or graduate school had to be approved by the ministry, which also set the minimum credits required for graduation and defined the core curricula of all schools.

As the framework for democracy gradually took shape in Taiwan, the government began to slowly reduce the degree of control it actually exercised over universities.

Nevertheless, demands for reforms in higher education and greater institutional autonomy outpaced the changes and improvements planned by the government.

In many universities, deans and chairpersons, who used to be appointed, have been elected by faculty members or selected by a search committee.

More than half of Taiwan's universities now give students a chance to evaluate the performance of their professors. The democratization of Taiwan's universities and colleges reached a head when legislators vigorously debated the proposed amendments to the university law.

The resulting new legislation provides legal guidelines for the complete restructuring of universities in the ROC on Taiwan.

The amended law, for example, states that university presidents shall be nominated by a committee comprising faculty members, alumni, administrators, and respected professionals in the community. These nominees are then appointed by the Ministry of Education.

Each university will be able to set up its own committee for reviewing teacher performance and will be responsible for certifying faculty members according to its own standards.

Moreover, each university will play a more active role in designing its own unique core curriculum.

I am sure you can appreciate the impact of such sweeping reforms. Education in the Republic of China on Taiwan has, in the blink of an eye, moved from traditional uniformity to legally protected diversity.

I believe that the democratic reform of our universities and colleges reflects the growing confidence of our people, who have benefited from free education and who have enjoyed wealth and freedom unparalleled in Chinese history.

It is interesting to note that the sequence of "education then prosperity then democracy" has now been reversed.

Democratic reforms are reshaping our educational system, and I am confident these transformations will result in even greater prosperity as the ROC on Taiwan Marches into the 21st century.

To anyone who has ever argued that the modern concepts of democracy and human rights are alien to Chinese culture and society, let me further stress that, what came as a result of the democratic reform in Taiwan should serve as clear proof that no Chinese person, no matter where he or she is, should be denied freedom, democracy, or any other basic human rights.

Indeed, I feel compelled to argue that all human beings should be unconditionally entitled to freedom, democracy, and all basic human rights.

Ladies and gentlemen, the successful transformation of our two countries must reinforce our conviction that development in both spiritual and material terms can only be achieved in a free and democratic environment.

At this point, though, I am particularly pleased to quote your Prime Minister, Vaclav Klaus, who said, "systemic transformation is not an exercise in applied economics or political science; it is a process which involves millions of human beings with their own dreams, preferences and priorities."

It is clear that Prime Minister Klaus and I share a respect for the power of imagination, hope, and freedom.

After all, the only resource that is naturally abundant in Taiwan is brainpower, and look at how far we have come.

By providing our people with equal access to a quality education, we have not only tapped our only natural resource, we have unleashed the most powerful and creative force in nature, namely the human mind.

All of the economic miracles and "quiet revolutions" in the Republic of China on Taiwan have been built on brainpower.

Does the same not hold true for the "velvet revolution" of the Czech Republic?

Was not the most insidious aspect of communism its attempt to limit the free thinking of individuals?

Is education not the key to unlocking the potential of all human beings?

In closing, I would like to salute Charles University and all other institutions of higher learning around the world which have maintained a profoundly optimistic vision of a world shaped by free and educated men.

I salute the Czech Republic and other post-Communist European countries which have been working so valiantly to deregulate both the market of goods and the market of ideas.

And, finally I salute the people of the Republic of China on Taiwan who are committed to building on brainpower and to creating their model for freedom, democracy, and equitable prosperity.

Thank you.

Representative to Belgium Attends Trade Hearing

*OW2106054295 Taipei CNA in English
0148 GMT 21 Jun 95*

[By P.C. Tang and Flor Wang]

[FBIS Transcribed Text] Brussels, June 20 (CNA) — Huang Yen-chao, the Republic of China [ROC] representative in Brussels, Belgium, attended a public hearing sponsored by the European Parliament's [EP] External Trade Affairs Committee here on Tuesday.

Huang was the first ROC representative stationed in Brussels to be invited to an EP committee hearing, reflecting the increasingly growing importance attached by the EP to Taiwan. Also present at the hearing — on the EP's new Asian strategies — were ambassadors and representatives from other Asian nations.

The EP is in the process of collecting comprehensive information and opinions about Asia with an aim toward improving its Asian policy, which was drawn up by the EP's executive commission in July 1994. Taiwan is among the 26 Asian economies targeted by the executive commission in its strategy update.

Sally de Clercq, chairman of the External Trade Affairs Committee, said before the opening of the public hearing that the EP was adopting new measures and strategies toward Asia because it wants to compete there on an equal footing with other powers, especially the United States and Japan.

UAE To Establish Representative Taiwan Office

*OW2106055195 Taipei CNA in English
0114 GMT 21 Jun 95*

[By Kuo Ping-ying & Debbie Kuo]

[FBIS Transcribed Text] Riyadh, June 20 (CNA) — The United Arab Emirates is expected to establish a representative office in Taiwan to bolster trade and business exchanges, diplomatic sources here said Tuesday [20 June].

The move springs from President Li Teng-hui's whirlwind visit to the Middle East, including the UAE, earlier this year, they said.

The proposed office, however, will be run by the UAE Chamber of Commerce and Industry, which is a private organization. Taipei, according to the sources, had expected that the UAE office would be an official agency.

President Li paid an unofficial visit to the UAE and Jordan from March 31 to April 4, his fourth overseas trip since he assumed the presidency in 1988. A pragmatic-diplomacy advocate, Li made his fifth strike overseas in June, to his alma mater, Cornell University in the United States.

According to Abu Dhabi trade tallies, the UAE replaced Saudi Arabia as Taiwan's largest export market in the Middle East last year.

China Airlines To Resume Middle East Flights

*OW2106055395 Taipei CNA in English
0114 GMT 21 Jun 95*

[By Kuo Ping-ying and Debbie Kuo]

[FBIS Transcribed Text] Riyadh, June 20 (CNA) — Taiwan national flag-carrier China Airlines [CAL] is planning to begin offering passenger flights to Dubai next month, nearly four years after it canceled its only Middle East passenger route — to Saudi Arabia — after the Persian Gulf war broke out, company officials said Tuesday [21 June].

CAL plans to begin the Taipei-Dubai-Rome route on July 16, with two round-trip flights a week. CAL is also opening an office in Dubai, CAL officials said.

Although it canceled flights to Saudi Arabia in 1991, CAL has maintained cargo flights to Dubai.

The overseas Chinese community in the Middle East hailed the announcement of the start-up of the Dubai route, saying it brings Taiwan closer once again.

Taiwan's other international carrier, EVA Airways, began Taipei- Dubai commercial flights a year ago.

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